Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NS3.50	S Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	SL125.00	Switzerland	SFr2.00
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$85
France	FFr6.50	Malaysia	Rm4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	[illegible]
India	Rup15	Norway	Nkr8.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,370 Friday October 23 1987 D 8523 A

A tongue-tied Belgian mayor sparks political crisis, Page 28

World News

US, Soviet arms control talks make headway

The United States and the Soviet Union said they had made progress at the start of two days of arms control negotiations in Moscow between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Schultz, the US Secretary of State.

The two sides are trying to agree final details of a treaty banning medium and short-range nuclear weapons and to decide a date for a superpower summit. Page 23

Battle for Jaffna

Indian troops and Tamil rebels were locked in battle for control of Jaffna as Sri Lankan politicians squabbled over details of a peace accord. Page 4

Laurel urges amnesty

Philippines Vice-President Salvador Laurel called for amnesty for coup plotters who renounce violence as extra security was ordered for President Corazon Aquino after the military learned of a plot to kill or kidnap her. Page 4

Literature prize

Soviet poet Joseph Brodsky, once sentenced to a labour camp and now living in exile in the US, won the Nobel Prize in Literature.

Sikh rally stopped

Militant Sikhs failed to hold a planned rally at the Golden Temple as paramilitary government police surrounded the holy Sikh shrine. Police enforced a curfew in Amritsar after arrests of about 250 Sikhs.

Township violence

A 10-year-old boy was beheaded and two more people were killed in a series of attacks in the violence-plagued black townships of Pietermaritzburg. Police also said that 533 people, mostly black, were arrested in the township of Soweto and other areas around Johannesburg.

War game deaths

Three civilians were killed and three British soldiers were seriously injured in separate accidents during military exercises in northern West Germany. The manoeuvres involved 33,000 soldiers from Britain, Belgium, the Netherlands and West Germany.

Murphy in Syria

US Assistant Secretary of State Richard Murphy met Syrian Vice President Abdul Halim Khaddam in Damascus for talks on the Middle East, the Gulf war and Lebanon.

Tokyo plane crash

A light plane crashed into a public bath house in northern Japan killing all three people on board. There were no immediate reports of injuries on the ground. The bath house had not opened when the Cessna plane slammed into the roof.

US bases in Greece

Greece and the United States will reopen talks on the future of four US military bases on November 9. Page 2

Candidate teargassed

Roh Tae Woo, presidential candidate of South Korea's ruling Democratic Justice Party was teargassed for a second day as he campaigned in the provinces. Page 4

Dinosaur find

Canadian and Chinese scientists announced they have excavated fossils of one of what could be a new species of carnivorous dinosaur up to 30 metres (100 feet) long.

Missionaries freed

Four British missionaries detained by Zambian police as alleged South African agents have been freed after two weeks in Lusaka cells. No charges have been pressed against the four.

Business Summary

BankAm rallies back into profit

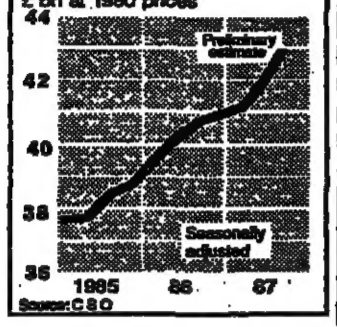
BANKAMERICA, struggling San Francisco-based banking group, reported a third quarter profit and a reduction in its loan losses, loan loss provision and nonaccrual loans from the previous quarter. Page 29

FERMENTA, Swedish animal health and chemicals group, said talks with Trans Resources Inc, privately-owned US holding company, on the sale of Fermenta's assets had broken down. Page 29

CONSUMER SPENDING in UK grew by 2½ per cent to £42.9bn($68.6bn) in the third quarter, against 1.7 per cent the previous quarter, an annual growth rate of almost 5.2 per cent, according to preliminary figures. Page 12

Consumers' Expenditure

£ bn at 1980 prices



Source: CSO

ANGLO AMERICAN of South Africa's main gold mines suffered severe losses in their September-quarters after the three-week strike by black miners. Page 29

SINGER, formerly world's biggest sewing machine manufacturer but which now makes aerospace and marine electronic systems, reported third-quarter net earnings of $18.2m or 80 cents a share against $17.4m or 77 cents. Page 29

GOLD rose $4.75 on the London bullion market to close at $471.50. In Zurich it rose $5.00 to $471.75. Page 38

DOLLAR closed in New York at DM1.8175; FFr6.0635; SFr1.5065; Y144.95. It remained unchanged in London at DM1.8135; FFr6.05; SFr1.5055; but rose to Y144.60 (Y144.15). On Bank of England figures the dollar's exchange rate index rose to 101.00 (100.9). Page 38

STERLING closed in New York at $1.6470. It fell in London to $1.6500 ($1.6525); to SFr2.4850 (SFr2.4875); to FFr9.9825 (FFr9.9975); but rose to Y238.5o (Y238.25). The pound's exchange rate index remained unchanged at 73.4. Page 38

GENERAL Dynamics, big US defence contractor, reported an 11.5 per cent increase in third-quarter net profits on improved results in its Cessna general aircraft unit and a lower income tax rate. Page 29

SALOMON, large Wall Street investment firm that is struggling to regain control of its sprawling business, reported a collapse in earnings in the quarter to September because of weak revenues and higher securities trading costs. Page 30

CHASE Manhattan, second largest US bank group, plans to eliminate 1,000 jobs, mainly in its US domestic operations, as it reported moderately higher underlying profits for third-quarter. Page 29

RENAULT, French state-owned vehicle producer which recently withdrew from US car market, says it is seeking to increase its holding in Mack Trucks, US maker of heavy trucks. Page 29; Renault search for new shareholders, Page 30

GOODYEAR, world's largest tyre-maker, reports a strong third-quarter improvement in profitability and increased its earnings estimate for the year to a record $7 a share, or about $400m. Page 29

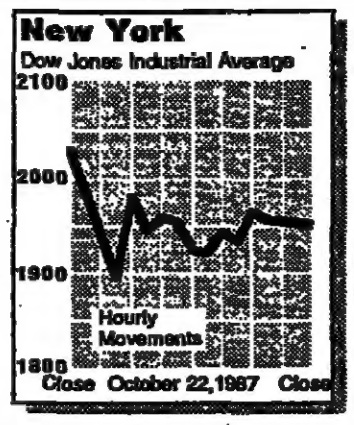
IMPALA PLATINUM, South Africa's second largest platinum producer, is to raise R300m ($146.5m) from shareholders to help finance a new R406m mine. Page 31

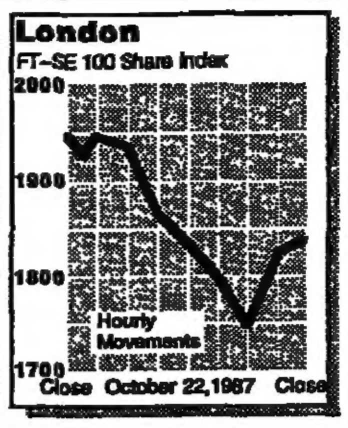
FURTHER CUT IN US PRIME RATE FAILS TO RESTORE CONFIDENCE

World equities fluctuate wildly

BY JANET BUSH IN LONDON AND JAMES BUCHAN IN NEW YORK

● Turmoil in the markets, Page 2
● Irrational day on the London exchange, Page 8
● Thatcher's response, Page 15
● Why the bulls are hopeful, Page 27
● Lex, Page 28
● Currencies, Page 39
● London stock exchange, Page 46
● World stock market reports, Page 50





WORLD EQUITY markets remained extremely volatile and nervous yesterday. Tokyo continued to recover strongly, London slumped again and Wall Street swung wildly in both directions.

Yesterday's rise of more than 470 points in the Nikkei index of leading Japanese stocks meant that the Tokyo market had recouped 65 per cent of the ground it lost in Tuesday's record fall.

However, this confidence did not carry through into other equity markets and both the London and US share prices fell sharply again. Bourses in Brussels, Amsterdam, Zurich, Milan, Stockholm and Madrid also turned lower.

The slump on the London stock exchange yesterday morning came as a shock after record rises on all major exchanges on Wednesday which many traders had hoped signalled the end of this week's collapse in equity prices worldwide.

The broadly-based FT-SE 100 index dropped more than 180 points during hectic morning trading to its lowest level since the first week of January before staging a partial recovery.

The FT-SE ended yesterday 110.6 points lower at 1833.2 while the FT Ordinary index closed down 92 points at 1435.3.

US markets also fell back into turmoil as wild swings in both bonds and equities highlighted Wall Street's uncertainty about the direction of the US economy.

The New York Stock Exchange decided yesterday to temporarily shorten trading hours, in a move that appeared to help the market in later trading. The exchange will close at 2pm today and on Monday and Tuesday next week. The White House said President Reagan backed the action.

In early trading in New York yesterday, US stocks lost most of Wednesday's record-breaking gains, igniting new fears that the US might be heading for a recession and causing a flight into fixed-interest securities.

In the first hour, the index of large-capitalisation stocks in the Dow Jones Industrial Average shed 127.98 points and fell below the 2,000 level at 1,899.87. The market recouped some of the loss by 2.30pm when the index was down 90 points and it edged back further towards the close. However, the index failed to breach 2,000, finishing at 1950.43, down 77.42 on the day.

Traders on Wall Street said the selling had spilled over from Europe. Stocks also suffered when rumours coursed through the market that Mr Robert Prechter, the fashionable market forecaster, had reversed his view of the market and turned bearish on stocks.

Mr Prechter would not comment publicly, but traders said that he told subscribers to his telephone hot-line service that the market was probably headed downwards.

In extremely nervous trading, stocks pulled back from their low point after news that several major US banks had cut their prime rates to 9 per cent and when the Federal Reserve Board, the US central bank, made generous movements to add liquidity to the financial system.

As stocks tumbled, investors took refuge in fixed-income securities, with Treasury bond prices soaring over three points in longer maturities at one stage, to yield little more than 9.1 per cent. The rush into short-term US paper caused short rates to fall half a percentage point.

Bond markets worldwide continued to profit from the perception that the US was unlikely to raise its discount rate in view of the collapse in world share prices which could dent economic growth and moderate wage expectations.

"The economic adjustment that we'll see in the US as a result of the stock market crash will reduce the trade deficit

Continued on Page 28

Major US commercial banks cut prime

MAJOR US commercial banks, responding to moves by the Federal Reserve to pump money into the financial markets to counter the crisis of confidence on Wall Street, cut their prime lending rates yesterday to 9 per cent from 9.25 per cent, writes Stewart Fleming in Washington.

The move was lead by Citicorp which announced the reduction just before trading opened on the New York Stock Exchange at 9.30am. The Citicorp cut was quickly followed by several leading east- and west-coast banks including Bankers Trust of New York and Security Pacific National Bank in Los Angeles, California.

In the past few days as the Federal Reserve has moved aggressively to pump liquidity into the financial markets to try to shore up confidence and prevent the collapse in asset values on the stock market from triggering a liquidity shortage, interest rates have fallen sharply, reducing the cost of funds to commercial banks.

The cost of overnight interbank loans in the money markets, the Fed-administered Federal Funds rate, has dropped by more than a full percentage point in the past week. Rates on certificates of deposit issued by New York banks have dropped by about half a percentage point in the same period.

Yesterday's one quarter of a percentage point drop in the prime, which is expected to spread quickly throughout the industry, is a cautious reaction to these developments. It reverses the recent upward climb in the prime rate which culminated last week when two New York banks raised their prime lending rates to 9.75 per cent, a level which other banks did not match and which was quickly reversed on Tuesday.

The cut appeared to be largely ignored, however, by the stock market which by mid-day was once again gyrating wildly.

Philip Stephens in London writes: On foreign exchange markets, the dollar shrugged off the fall in US interest rates, supported by a widespread belief that central banks would intervene in the markets if the US currency were to slide.

Traders said that the US currency was also benefitting from increased hopes that negotiations between the White House and Congress would lead to a further significant reduction in the US budget deficit next year.

In London, the US currency closed at DM1.8135, unchanged from Wednesday and at Y144.60, slightly above its previous Y144.15. Sterling fell fractionally from $1.6525 to $1.65.

Louvre accord does not set precise rates for dollar

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE COMMITMENT of the Group of Seven nations to stabilise the dollar under the Louvre accord does not involve a set of precise, jointly agreed, exchange rate bands for the US currency.

According to participants in meetings of the group the joint pledge to underpin the dollar is based on looser, more pragmatic understandings between governments and central banks.

The sources said that this did not diminish the determination of the seven - the US, Japan, West Germany, France, Britain, Italy and Canada - to maintain the dollar's value at close to present levels. The recent collapse of world stock markets had reinforced the consensus on the need to maintain relative stability on foreign exchanges. In particular, the US was unlikely to repeat previous threats to talk down the dollar.

Details of the exchange rate section of February's accord have been left deliberately obscure by finance ministers and central bankers, leading to speculation that they have a set of target ranges for their currencies. That view has been encouraged by a number of broad hints on the existence of such bands by Mr Nigel Lawson, Britain's Chancellor of the Exchequer.

More recently there have persistent rumours in financial markets that the bands may have been moved following the recent row over West German interest rates between Bonn and Washington.

But the participants said that the Seven were not operating the Louvre accord on the basis of automatic trigger points for intervention or for shifts in monetary policies.

One source commented: "There is a determination to keep rates where they are and to make sure that they do not diverge very much. But that is all there is ...nothing automatic or specifically agreed." He added that meetings of the Group of of Seven did not review a "grid" of acceptable exchange rate ranges at their meeting: "Everyone may have precise figures in their own minds but they do not tell the others." This did not exclude bilateral understandings between central banks, although details of such agreements were not made available to the group as a whole.

Another source explained that on occasions when the dol-

Continued on Page 28

Mr Nigel Lawson

Prices ricochet hits Japanese warrants

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT IN LONDON

JAPANESE share prices dropped sharply in Europe yesterday as international investors became jittery about the prospects for the Tokyo stock market.

Prices in the related market in Japanese equity warrants - instruments entitling holders to buy Japanese shares at a fixed price before some future date - also collapsed. This London-based market is usually very volatile and is accustomed to sharp price swings but business was so one-sided that trading was halted after only 10 minutes yesterday afternoon.

The drop in the price of Japanese shares in over-the-counter trading was cited as one of a number of factors which pushed the skittish London market lower yesterday morning.

International fund managers, many of whom are based in London, were said to be concerned that the Tokyo market was still too highly valued. Tokyo is only some 10 per cent off its all-time peak while the falls in the other markets been much sharper.

Worries about the Japanese market were heightened by fighting in the Gulf.

Japanese share prices fell by up to 10 per cent after the Tokyo and price declines of 30 per cent or more were not unusual in the equity warrants market before trading was halted. Many warrants fell sharply below the value as implied by the closing Tokyo price yesterday morning.

Traders reported forced selling of warrants by fund managers as a result of clients' decisions to liquidate their investments in the funds.

Two types of funds are investors in the warrants market - small warrants funds of a highly speculative nature and bigger institutional funds which use warrants as a substitute for the underlying equity. Both types were said to be sellers.

Nevertheless, the volume of shares traded outside Tokyo represents only a small fraction of those traded inside Japan, even when the shares underlying the warrants are taken into account.

Several equity warrants traders said they intended to open for business tomorrow, and some continued to deal with customers - as opposed to other traders - through the market closure yesterday afternoon.

Prospects gloomy for BP issue

By Richard Tomkins in London

ANALYSTS believe that yesterday's downturn in the London stock market has destroyed any lingering hopes that the £7.2bn ($11.9bn) British Petroleum share offering can succeed.

BP's existing shares closed at another low of 282½p last night, 14½p down on the day, and 47½p below the price at which the new shares are to be sold.

The offer does not close until 10am next Wednesday and the British Government's advisers still hope that an upturn before then could save the day.

But stockbrokers' analysts say that after yesterday's continued market volatility, even a sharp upturn in share prices would be insufficient to restore investor confidence in time. "I think the latest downturn has probably finally done it," said a leading analyst. "This volatility is going to leave a lasting impression. It will take more than three trading days to dispel it."

The Treasury nevertheless reiterated that the offer would go ahead. It said yesterday there was no intention to extend the offer date beyond October 28.

This was in response to ru-

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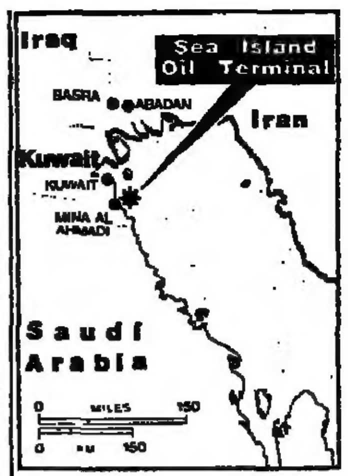

Iran missile hits main oil terminal in Kuwait

By Andrew Gowers and Richard Johns in London

IRAN struck and badly damaged Kuwait's main oil export terminal yesterday with a medium-range Silkworm missile. The incident represents Iran's most serious attack on a country not directly involved in the Gulf war.

The US, however, said it would not retaliate for the attack, indicating that the recent bout of tit-for-tat clashes between the US and Iran might be over, at least for the time being. The State Department condemned Iran for the attack and said the US would consider the sale of Stinger missiles to Bahrain to ward off similar incidents.

The assault on the offshore Sea Island terminal, which handles between a quarter and a third of Kuwaiti crude exports, appeared to be in retaliation for Monday's US attack on two Iranian oil rigs in the Gulf. It prompted immediate fears that Kuwait - currently the eighth biggest exporter in Opec - might have to declare force majeure on crude shipments, and contributed to yesterday's fall on world stock markets and to a jump in the prices of gold and oil.

It is also a serious embarrassment for the Reagan Administration, which decided at the weekend against bombing Iran's Silkworm missile sites on the occupied Fao peninsula in southern Iraq.

Yesterday's attack set the terminal on fire, sending a dark plume of smoke into the sky, but Kuwaiti officials said the flames were doused two hours later. The extent of the damage to the terminal had not been assessed last night but officials of the Kuwait Petroleum Corporation acknowledged that the company faced formidable logistical problems in maintaining crude exports at the level of 300,000 barrels per day permitted under its Opec quota.

Kuwait, which has been singled out for attack by Iran be-

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AN ELDER STATESMAN STAYS IN THE POLITICAL ARENA

Tanzania's former President Julius Nyerere is set to retain his political influence, Page 4

A time for gurus on Wall Street to keep mum

BY JAMES BUCHAN IN NEW YORK

PITY POOR Mr Bob Prechter. The fresh-faced, young Georgian, who has become the leading guru of the five-year bull market in US stocks, has to tell his thousands of subscribers which way the stock market is going. And this week, with the Dow Jones Industrial Average compressing decades of movement into an hour, this is not easy even for the Elliott Wave Theorist.

Yesterday, the Dow lost 127 points in the first hour while rumours swirled round the market that Mr Prechter, 38, had turned from a bull to a bear of US stocks.

Wall Street traders said Mr Prechter had left an overnight message for the 6,000-odd subscribers to his telephone hot line service but it was fairly vague. He apparently said that Wednesday's rally in the Dow had failed to pierce a resistance level at around 2,100 and the index was probably headed south.

Down at his lakeside home in Gainesville, Georgia, Mr Prechter was lying low amid ringing telephones and scurrying assistants. "In times such as these, the best spokesmen to the nation are those from the Administration and the Federal Reserve Board," an assistant said from a prepared statement.

Wall Street chews gurus. Remember Mr Joe Granville, who sent the market into a dive in early 1981 and then failed to do the same a few months later? But Mr Prechter, a Yale psychology graduate and former rock drummer who believes he can detect a pattern in investors' psychology, has done pretty well.

He correctly forecast the start of the bull market in August, 1982, its lull in 1984 and two sharp corrections last year. His learned monthly newsletter, the Elliott Wave Theorist, now has about 18,000 subscribers.

Mr Prechter's success has come from ignoring traditional forecasting in favour of a theory devised by a Los Angeles accountant Mr Ralph Elliott who lost most of his savings in the 1929 correction and spent the rest of his life trying to find out why. Mr Elliott concluded that the ebb and flow of crowd psychology creates the economic environment, rather than vice-versa, with the stock market moving in waves.

As the Dow soared to its late-August peak at 2,722.42, Mr Prechter was saying the bull market was in its last and most "euphoric" wave which would take the Dow to the 3,600 to 3,800 range some time next year. When the market started falling, Mr Prechter stuck to his guns but last week he predicted a fall to 2,300 on the Dow.

On Monday, this came to pass and then some 600 points more and Mr Prechter has given up making public statements, at least for a week or two.

Perverse scenario that fuels US bond rally

BY ANATOLE KALETSKY IN NEW YORK

SUPPOSE the stock market crash pushes the US economy into a recession. The US trade deficit then solves itself. The dollar stabilises effortlessly at around its current level. And the prospect of an inflationary acceleration which so terrified the world's financial markets as recently as a few days ago, becomes a complete irrelevance - however much money the Federal Reserve Board pumps into the economy to keep Wall Street afloat.

In the last three days, this is the characteristically perverse scenario which has provided the fundamental economic rationalisation for one of the steepest bond market rallies ever seen on Wall Street.

It also seems to be the explanation for one of the strangest, though least noticed, financial oddities in this week of freakish developments around the world. Despite the stock market crash, the plunge in US interest rates and the Fed's promise to print money like there was no tomorrow, there has been relatively little selling pressure on the dollar.

In fact, the dollar, whose earlier misfortunes had been largely responsible for catalysing the stock market debacle after the appalling US trade figures announced last week, has strengthened by nearly 2 per cent during the last three days. Foreign exchange dealers in New York admit to having "great difficulty in coming to grips with this mystery about the dollar's strength," as Mr Kevin Rafael, who runs Merrill Lynch's currency trading puts it.

There is a widespread fear that "the collapse of the dollar has only been delayed - we are just putting our fingers in the dyke," in the words of Mr Albert Soria, foreign exchange manager at Swiss Bank Corporation. Yet, as Mr Soria goes on to add, there seems to be an equal and opposite sense of stunned optimism. The bickering among world finance ministers last week has been settled as every major nation has looked over the brink of financial collapse - and confidence in the Louvre agreement on foreign exchange stability has been re-established.

But what about the biggest question which of all - how can the dollar possibly maintain its strength if Japanese investment institutions have become disillusioned with Wall Street?

The expectation in the bond and currency markets seems to be that capital flows from Japan will indeed fall off sharply. Yet the Wall Street crash itself provides sufficient consolation - "the economic adjustment we will see in the US will reduce our trade deficits and our demand for foreign funds by cutting US investment and consumer spending," says Ms Carol Stone, a senior economist at Nomura.

Bank of Japan governor calls for investor calm

BY STEFAN WAGSTYL IN TOKYO

MR SATOSHI Sumita, governor of the Bank of Japan, yesterday urged investors to stay calm, saying there was "no justifiable ground for the precipitous fall of stock prices, given the present robust economic activity in major industrial countries."

Mr Sumita told a meeting of foreign bankers in Tokyo that the central bank would stand by its commitment to support the Louvre agreement - the pact by leading industrial countries to maintain stable exchange rates.

"I am determined to make every effort to instill confidence in the money and capital markets as well as in the foreign exchange market," he said.

Mr Sumita indicated that Japan was willing to play a bigger role in international financial affairs. He said he hoped that the further liberalisation and internationalisation and Japanese financial system would allow Japan "to assume genuine leadership of the world's financial community."

New York specialists bear heavy burden

By Roderick Oram in New York

SOME 400 men on the New York Stock Exchange floor, the specialists designated to make orderly markets in issues, have borne perhaps the greatest financial and physical pressures of anyone in the financial community during this week's violent market swings.

Together they lost some $750m of their firms' money, the NYSE estimates, during the collapse of stock prices on Monday and the wildly erratic partial recovery on Tuesday.

They might have recouped some losses during Wednesday's rally but were probably suffering again yesterday when sell orders swamped the exchange.

So far only one of the 50 firms of specialists has succumbed. A.B. Tompane & Co, a 60-year old firm which had survived the 1929 crash, is to be taken over by Merrill Lynch.

The exchange said the firm had lost about $20m earlier in the week but insisted that the takeover was "in the works" before the market's collapse.

It added that the largest loss sustained by a firm was $40m but declined to identify it.

Most other firms have resorted to bank lines of credit to tide them over these unprecedented pressures.

Three other member firms have ceased to trade, though they were not specialists but small brokers trading heavily on their own accounts.

It is inevitable that this week's events have caused other considerable strains for other members of the securities industry, yet all rumours have been denied and little concrete evidence has surfaced.

Each specialist mans a trading post on the floor at which he makes markets in a few issues.

Some concentrate solely on one big capitalisation stock each.

They act as go-betweens conducting an auction at their post between floor brokers on the sell and buy sides of orders but they do not get involved in every trade.

Small orders are matched electronically at the last market price and many big orders are matched by the specialist and his staff, increasingly with computer help.

But in all cases the specialist is essentially setting the price and ensuring trades are fairly executed at it. In normal times he will commit his firm's capital to smoothe out order imbalances by buying when everyone else wants to sell and selling when the tide turns.

Obviously, a specialist cannot turn the tide with his own capital so he keeps adjusting the share prices to try to generate a rough balance between buy and sell orders.

This week, many issues have been halted temporarily, particularly at the opening of sessions, while specialists iron out order imbalances.

Advocates of the electronic over-the-counter market say the specialist system is an anachronism, yet the specialists have won high praise from brokers and other members of the financial community this week for the way they have managed to keep the market going.

Tompane's problem was partly that it played its role too well, Mr John Phelan, chairman of the NYSE said.

"One of the reasons for their losses was that they performed so well. They provided more liquidity to the market than they should have."

Specialist firms have been consolidating rapidly into large and better capitalised units over recent years. Recently the exchange changed its rules to allow specialist firms to be owned by brokerage firms which should accelerate the trend.

Bear Stearns had owned some small specialists for a while but Merrill's acquisition marks the first major move into the field by a broker.

David Dodwell reports on critical moves to head off financial ruin for members

Hong Kong's secret bid to rescue futures

THE FATE of Hong Kong's futures exchange hung in the balance yesterday as top government officials met secretly to devise a rescue plan aimed at saving many of its members from financial ruin.

As officials at all levels refused comment, it emerged that in spite of mounting impatience over continuing suspension of trading on the stock exchange, it might not be until the weekend that acceptable proposals can be thrashed out.

Whatever the outcome, international fund managers and stockbrokers argued yesterday that the reputation of the futures exchange, and perhaps also of the full stock exchange, has been permanently damaged.

The territory's Stock Exchange Council confirmed after the second emergency meeting of the week that the market would remain closed until Monday. At the same time, it has become clear that the over-riding reason for the unprecedented suspension of trading was fear that a collapse of the futures market would have a domino effect on the stock market which would in turn bankrupt many small to medium-sized stockbrokers.

The original excuse for closure - that brokers needed time to settle a massive backlog of contracts that had built up over a number of weeks of hectic trading volume - was apparently not a complete smokescreen, but was used to deflect concern from the true arena of crisis.

It was also learned yesterday that the collapse in stock market prices has put in jeopardy rights issues amounting to HK$13bn (US$1.67bn). Underwriters for Chinese Estates, the company controlled by the Lau family that recently unveiled plans for a HK$3bn issue, said informally that the chances of going ahead were slim as sub-underwriters fell back on force majeure clauses to avoid possibly crippling losses.

Underwriters of rights issues for companies controlled by Mr Li Kashing, which amount to HK$10bn, said the issues were too advanced for recourse to force majeure clauses, but said there would be pressure on Mr Li to abandon voluntarily his fund-raising plans. Since Mr Li is himself committed to taking up almost a quarter of the rights being offered, it is thought he might be sympathetic to appeals from hard-pressed underwriters.

Meanwhile, the Securities Commission and the stock exchange issued a joint statement warning against grey market trading in shares while the stock market suspension continued. The warning conceded that such trading was not illegal, but reminded investors that the exchange offered no protection in the event of defaults of disputes over grey market transactions.

The crisis on the futures exchange focussed on the Hang Seng index futures contract, which was until a week ago regarded as a spectacularly successful complement to the local stock exchange.

Trading in these contracts,

Robert Fell : recalled from retirement

which began with a daily average of 1,600 in May last year, had risen to an average last month of 24,000 as speculators theoretically hedging their equity positions found rich pickings in the bull market of the past year.

It now appears, however, that a market intended to insulate investors from risk has in the bullish euphoria of recent months in fact put the fate of the whole equity market in jeopardy.

When Mr Ronald Li, chairman of the stock exchange, telephoned Hong Kong's financial secretary before dawn on Tuesday to warn him of the likely suspension of trading, he was staring at the prospect of a fall in the Hang Seng index of about 800 points to 2,600.

After a 420 point fall on Monday, he judged that many of the 130 futures exchange members faced imminent bankruptcy, and that their efforts to meet massive liabilities would force them to sell shares so heavily that the already-grave problems facing stock exchange members could become fatal.

It emerged yesterday that a slump in the Hang Seng index to around 2,600 would have presented futures traders with liabilities passing HK$3bn. To put this into perspective, the guarantee fund of the futures exchange, set up to protect investors in the event of defaults, has a total of HK$22m in its coffers.

With the price of each index futures contract based on HK$50 per index point, traders who on Friday had been bidding HK$180,000 per contract faced the prospect of those contracts on Tuesday being priced HK$50,000 lower.

Since the margin paid on each contract is fixed at HK$15,000, traders faced losses more than three times their original investment. With more than 60,000 contracts outstanding (for October, November and December) when trading was suspended on Monday, this implied potential losses of more than HK$3bn.

Last night Hambros were appointed to advise the Government on saving the futures exchange.

Earlier a number of proposals had been put to the Government aimed at salvaging the situation. These ranged from annulling all outstanding contracts to fixing the opening futures index prices on Monday at levels that could be financially tolerated by the exchange's membership.

Either of these options would draw fierce criticism, in particular from traders who because of short positions were poised to gain from the crash in prices. Intervention of any kind was likely to puncture the international credibility of the exchange, stock brokers said yesterday.

Meanwhile, observers challenged the stock exchange's claim that closure was needed to enable brokers to catch up with a mounting backlog of settlements. The stock exchange yesterday extended until Saturday the deadline for all settlements to be cleared.

Mr Piers Jacobs, Hong Kong's financial secretary, said on Wednesday that urgent attention would be given to the creation of a central clearing system. It was confirmed that Mr Robert Fell, who arrived in Hong Kong six years ago as secretary for securities and retired just two months ago as banking commissioner, had been asked to return to the territory to advise on setting up a central clearing system.

Mr Fell played a key part in setting up Talisman, the London stock exchange's computerised clearing system, before he retired in 1981 as the London exchange's chief executive.

Over the past year, the Hong Kong Bank has presented proposals for a system, as has a group of banks led by the Bank of East Asia, and a group headed by Mr Ronald Li, stock exchange chairman. There have been objections to all of these proposals.

Floor traders in a fierce struggle yesterday to buy and sell stocks on the Tokyo exchange

Eurotunnel keeps nerve

BY RICHARD TOMKINS

YESTERDAY'S further volatility in world stock markets has prompted speculation that BP's £7.2bn share offering might not be the only big equity issue to suffer.

In just over three weeks' time, Eurotunnel, the Anglo-French Channel tunnel consortium, is due to be floated on the London and Paris stock markets through an offer for sale expected to raise about £750m.

Although this sum is only the smaller part of the estimated total cost of the project, it is crucial to its future. This is because the recently completed international syndication of £5bn in loan finance for the tunnel's construction is conditional on the successful completion of the equity offering.

Eurotunnel cannot begin to draw down the loan finance until the flotation has taken place, and it does not have sufficient funds to sustain it through more than a short delay.

The consortium itself is confident that the flotation will go ahead as planned in spite of this week's upset in the stock markets. Mr Alastair Morton, UK co-chairman, said a postponement was out of the question. "The idea is not even worthy of discussion."

The reason for this confidence is Eurotunnel's view that its shares cannot be compared with those of any other company, and are not sensitive to day-to-day swings in the stock market.

This is because the issue will not be sold on the basis of current year profits or the relationship between price and earnings, but on the expectation of an income stream which will start to flow when the tunnel opens in 1994.

The applicant which Eurotunnel hopes to attract is not the speculative punter, but the investor who wants to set a sum aside now with the aim of securing an income in five or six years' time.

"An investment in Eurotunnel has nothing to do with price levels on the stock market now. It has everything to do with price levels in 1994," Mr Morton said.

Property no longer safe as houses

By Andrew Taylor

A SLOGAN proclaiming "Property the safe investment" was swiftly added to an advertisement extolling the virtues of £295,000 Dockland appartments when Wednesday night's edition of the London Evening Standard went to press.

The advertisement placed in the newspaper's business section appeared to be seeking to reassure would-be purchasers that residential property remained a secure investment even if the world's stock markets were going mad.

Houses and appartments in London's former Docklands have been more than a secure investment for the past two to three years. Prices have doubled and trebled as owners, many of them young rich professionals employed in the City's rising securities markets, have made small fortunes on the property market.

This week, as share prices have plummeted, people have been beginning to wonder whether house prices have also gone over the top and whether the London property bubble is about to deflate.

Plans to build millions of square feet of new office buildings in central London are also being questioned.

Will large financial services conglomerates, some of which had already started unloading staff before the world stock markets plunged, require all the office space proposed for the City and also in Docklands?

It is difficult to see how the momentum can be maintained in the housing market when the very same City professionals which were credited with sparking the house price boom could now be in danger of losing their jobs or incurring heavy losses.

There have already been one two or indications that the London housing market has no longer been moving ahead at quite the same roller coaster pace. The rate at which prices have been rising, although still well above that of general inflation, has slowed. House prices in East Anglia have been rising faster than those in London for several months.

An informal survey of London estate agents and housebuilders carried out this week by stockbrokers SBCI Savory Milln showed there is some nervousness about the vulnerability of the housing market in London and the Southeast.

One agent reported an increase in valuations in Kensington and Chelsea which might point to future sales. Most agents said it was too early assess the impact of the collapse of share prices on the housing market but most said that prices would be unlikely to continue to sustain the recent very high rates of growth.

Some agents, like the one advertising Dockland appartments in the London Evening Standard, believe that property will be regarded as a safe haven compared with equity investment. None the less, it is difficult to imagine City professionals wanting to increase their mortgages in the current uncertainty.

House prices in Britain stagnated for several years when the stock market plunged following the 1973 oil crisis.

It would be unduly alarmist to suggest that history may be about to repeat itself. For a start the general economy is in much better shape than it was 14 years ago. None the less, confidence in the financial sector will have been dented and this is bound to have some impact on property markets affecting both where people live and work.

Market-makers not ignoring phones, says SE

By Richard Waters

THE STOCK Exchange yesterday denied claims by a handful of its member firms that market-makers have been refusing to answer their telephones, preferring to do business with other market-makers rather than ultimate customers.

In the first three days of this week, customer business amounted to £5.5bn, said the Exchange yesterday - 60 per cent more than in an average three-day period last month. Business between market-makers, at £3.42bn, was 45 per cent higher.

Firms admit that congestion has slowed down their response when the market has been particularly active, but deny that they have a policy of taking some calls but not others.

"Our volume is running four or five times higher than most weeks," said Mr Tim Brown, head of Phillips & Drew's equity sales team. "You can only talk on one 'phone at any one time. I can understand why some people are getting frustrated."

Battle to find Topic fault

BY ALAN CANE

THE FAULT which forced Topic, the viewdata system through which the International Stock Exchange disseminates price information, off the air for almost three hours on Wednesday had still not been identified late yesterday afternoon.

Exchange technicians quickly recognised the fault as a software problem in the link between the Epic computers, which calculate mid-prices and the FT-SE100 index, and the Seaq computers which processes market information, but were unable to pinpoint the error or explain why it had occurred.

Mr George Hayter, head of information and settlement systems at the Exchange, said yesterday: "It was apparently a software fault, but it was not one that we had ever experienced before so we are still diagnosing what went wrong.

"The first thing in these situations is to get the system back on the air and then figure out what the hell happened."

The break, which exasperated market makers and brokers alike and caused furious grumblings about the quality of the exchange's computer systems, came at the end of a long period in which Topic and Seaq had behaved impeccably, despite handling ever-increasing numbers of transactions.

In the five months to last Wednesday, Seaq had been out of action for a total of two minutes and Topic about the same. The system was getting an unfair share of bad publicity because the London market was still relatively new to computer based trading, Mr Hayter said.

"When I was in the US last month, one major system on which 40 or 50 per cent of the business of the New York Stock Exchange depends was out of operation for most of a whole day. I did not see that written up in any newspaper."

Technical faults apart, there have been questions about the suitability of the system for the London market. The use of the "fast markets" indicator, for example, which signals that market makers cannot change their quotes quickly enough to keep up with changing prices so the screen prices are indicative only.

Mr Hayter said that the use of the "fast markets" indicator did not indicate that there was anything amiss with the technology. The market supervision department took the decision to declare fast markets on the grounds that market makers would be more likely to answer the telephone and be prepared to trade free of the fear that if he was held to his screen prices a competitor would take him to the cleaners.

Mr Hayter added that Topic in the last two days had been handling 8m enquiries (requests for price information) compared with 4m in the week immediately following Big Bang last year.

Loading on the Seaq system in the past two days was three times the level following Big Bang - there had been over 100,000 trade reports and 100,000 quote changes each day. Improvements and refinements in the software had made it possible to sustain these massive increases in volume without substantial new investment in hardware.

Chris Sherwell reports from Sydney on a resource-based economy's extreme vulnerability to external shocks

Australians point the finger of blame for instability at US

AS LOCAL share prices displayed their stupefying plunge this week, Australians have learned once again how acutely vulnerable their resource-based economy is to external shocks.

To them, the blame for the stock market fall lies with the massive payments imbalances in the world economy and, in particular, the failure of the US to deal with its budget and current account deficits.

In such circumstances it is small comfort to be told that their government's tough policies for dealing with its own twin-deficit problem offer a lesson for the US.

What matters is whether the world which Australia supplies with wheat, wool, meat, coal, iron ore, gold and even swashbuckling entrepreneurs is going to slide into recession, perhaps even a depression.

It is partly because this question remains unanswered that Australian stock markets continue to display clear nervousness and have shown little inclination to "bounce" along with the others in the past 48 hours.

That it had bounced at all has come as a real relief. A second successive 500-point slump would have been cataclysmic. But even now there are understandable worries about a further reverse if there is no quick policy action abroad.

Few analysts doubt, however, that local factors also contributed to the original plunge. In their view, the Australian market had become worryingly high in recent weeks, buoyed in part by the over-confidence the government itself had displayed.

It is therefore seen as no bad thing that the market has suffered a correction which takes it back to levels of just a few months ago.

That was not how people felt on Tuesday, of course, despite the fact that the Reserve Bank stood ready to supply liquidity, and Mr Paul Keating, the Treasurer, made the reassuring noises expected of a politician.

Both he and the market now have to make some delicate judgments about the future. According to Senator John Stone, an outspoken former chief Treasury civil servant now turned opposition politician, the whole basis of Mr Keating's economic forecast in last month's balanced budget has been "blown away."

In Mr Stone's view, Mr Keating's assurances that little had changed were as "mendaciously over-confident as they are transparently unfounded." An early mini-budget to cut spending was needed, and "an end to the nonsense that we can now afford another wage increase."

The government hotly disputes suggestions that its revenues from corporate taxes and capital gains taxes will blast a hole in its revenue forecasts, at least for the current year.

But it has begun reviewing the overall position. On Wednesday it successfully secured an adjournment of this week's hearings on wage increases under the present two-tier system.

This duly irritated the trade union movement, whose principal leader, Mr Simon Crean, complained loudly about such a move being made "on the basis of one day's trading on the stock exchange."

Mr Crean, however, knows the dynamics of the Australian economy as well as anyone, and that it cannot possibly escape the implications of the prices plunge, even if the principal causes mostly lie elsewhere.

Immediate attention is focused on the stocks of companies controlled by high-profile entrepreneurs - people like Robert Holmes a Court, Rupert Murdoch, John Elliott, Alan Bond, Ron Brierley, John Spalvins, Allan Hawkins, Bruce Judge and Larry Adler.

A confident Mr Holmes a Court, whose Bell Group and Bell Resources were both badly hit this week, said yesterday the suddenness and severity of the slide was a good thing. Companies which had raised capital in recent months were in good shape, he said, and the fundamentals of the economy were unchanged.

During the worst falls on Tuesday, Mr Elliott and Mr Adler both said they had become buyers, and yesterday Mr Elliott claimed his forays had made money. Mr Brierley is reported to have been making further share purchases too.

Little has been heard from Mr Bond, who has made massive personal forays into gold in recent months, or from Mr Murdoch.

Brokers point out that it is virtually impossible to know how each of these financiers has actually been affected by the prices shifts, and add that market perceptions may be quite different from underlying reality.

Stating the obvious, they say that those who are heavily geared, sitting on large quantities of listed stocks and exposed in the futures market, are likely to be hurting, while those who are reasonably liquid, carefully hedged and enjoying cash flows from strong core businesses are relatively well-placed.

Perhaps surprisingly, analysts' judgments about resource-based stocks tend to shy away from the usually positive long-term view in favour of a more cautious short-term opinion hinging on perceptions about world economic growth. Again, much depends on whether individual companies are burdened with debt or cash-rich.

High technology businesses dependent on venture capital also look likely to suffer from the fall. And there is plenty of concern among ordinary workers about the threat to pay-outs from superannuation funds.

Other areas where the impact has been felt immediately are company floats, share placements and paper-based takeovers. Where these are underwritten at prices prevailing before the plunge, the underwriters are now wondering whether they should or can proceed.

Broking firms which have taken principal positions in the share market and in the futures and options markets will also be hurting if they have been caught the wrong way.

Where clients are refusing to settle, the problem will revert back to the banks which have made loans against the security of shares. Write offs by brokers and banks have already begun. But no financial institution is thought to be in danger of failure.

Gonzalez clash with labour in the making

By Tom Burns in Madrid

MR NICOLAS REDONDO, the leader of the Union General de Trabajadores (UGT) who resigned his Socialist seat in Parliament on Wednesday, said in a letter to Prime Minister Felipe Gonzalez that he had done so because of his "personal convictions" and to avoid a "political confrontation" between the party and its fraternal union.

The confrontation is inescapable, however, because Mr Redondo's decision to back up his convictions by walking out of Parliament has fuelled the first serious debate within the Socialist party on "whither socialism" since a nascent militant tendency was summarily expelled a decade ago.

Party local associations up and down the country are split between those who maintain that "Nico" (as the UGT leader is known) is right, and the "Felipistas," who side with the Prime Minister. In Murcia, a staunchly Socialist province in the south-east, a 60-strong association turned in its party cards en masse at the local UGT headquarters.

Personalities

The debate is political but it is hopelessly mixed up with personalities, for both the trade unionist and the politician are indisputably charismatic men.

Mr Redondo, who rarely wears a tie, who shares a small flat with fellow Basque UGT members when he is Madrid and whose austere lifestyle is legendary, stands for loyalty to working class roots and for the traditional socialism of the Bilbao steelyards where he grew up and worked.

Mr Gonzalez, who at 45 is 15 years Mr Redondo's junior, has long shed the open necked shirts of a decade ago and has acquired the polish that comes with high office. He is increasingly interested in grand themes such as the unity of Europe and, more to the point, socialism in the 21st century.

When he came to power in 1982 Mr Gonzalez expertly sold the message to rank-and-file Socialists that wealth had first to be created in order to be later redistributed.

The problem is that, with the economy growing at 4 per cent, with large corporation profits being announced on a daily basis and with some 2.8m registered at employment offices, the same Socialist grassroots are becoming restless about the goods that Mr Gonzalez promised to deliver.

The Prime Minister claims he is delivering. The 1988 budget introduces substantial tax cuts at the lower end of the income bracket and offers a 4 per cent rise in public sector wages and in pensions which will be one point above the projected inflation rate of 3 per cent.

Mr Redondo, who resigned on the specific issue of the 4 per cent guideline, says this is not enough. But essentially he is questioning Mr Gonzalez's commitment to socialism as he understands it. Mr Redondo's personal conviction is that the Prime Minister and his cabinet have fallen prey to the "aristocratic embrace."

Local associations are currently debating a key political motion drawn up by Mr Gonzalez's supporters for presentation to the party congress in January which sketches out the role of the party in government as the corrector of capitalist excess and as the guarantor of a welfare state and of a compassionate society.

Capitalist

The left-wing critics have siezed on this to argue that the motion is inconsistent with socialism and highlights the inherent contradiction of Mr Gonzalez's pragmatic-style of government. If there is "capitalist excess," the critics say, it is because the Government has allowed it to emerge with its dedicated sponsorship of private sector profits.

Mr Redondo himself wants no part in the debate in the party congress. He wishes now to build up the independence of the UGT from the governing party and this will be a fulltime task for the union is heavily subsidised by the Socialist party. But Mr Redondo has emboldened the critics and acted as a catalyst for the confrontation.

Oddly this would never have happened had Mr Redondo decided in 1974 to become party secretary general - a job that was his his for the asking. He decided instead to lead the UGT and he was kingmaker in Mr Gonzalez's election to head the party.

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FRENCH PRESIDENT VIRTUALLY RULES OUT SHORTER-RANGE ARMS

Mitterrand explains N-weapons policy

BY IAN DAVIDSON IN HANOVER

AT THE conclusion of his four-day state visit to West Germany, President François Mitterrand yesterday spelled out his new definition of French nuclear doctrine, by virtually ruling out the use of France's shorter-range nuclear weapons.

President Mitterrand also called for a strengthening of the European Monetary System (EMS). A European central bank should be set up to supervise monetary liquidity in Europe, and a European currency should be established, which should eventually prevail over the national currencies, he said.

But the main theme of his press conference was a detailed exposition of his latest rethinking of French nuclear doctrine.

In practice this amounts to a sharp downgrading of the use of short-range weapons.

At present France has the Pluton missile, with a range of 120 km, and in 1992 it will have developed the Hades with a range of 350 km.

Neither could be fired from France without striking some part of German territory. President Mitterrand earlier this week strongly indicated that this was no longer acceptable as French policy.

In principle, these weapons were originally conceived as "pre-strategic systems", to give an aggressor a final warning before the firing of French strategic nuclear weapons.

In earlier speeches during this week's state visit, President Mitterrand strongly hinted that these "pre-strategic" weapons would not be detonated on German soil.

Yesterday he went further, and stressed that all nuclear weapons necessarily belonged to the strategy of deterrence, and could not be regarded as an extension of conventional weapons.

As for the French doctrine of the final warning, "deterrence requires that one reaches the territory of the aggressor", he said.

The implication of President Mitterrand's new and austere version of French deterrence doctrine, is that the final warning would have to be delivered either by one of the country's submarine-launched strategic ballistic missiles, or by a medium-range air-launched missile (ASMP), which has yet to be developed.

In either event, the new formulation looks like an audacious return to simpler notions of deterrence dating back to the 1950s; in its implementation, France's final warning might not be distinguishable from the start of a strategic exchange.

François Mitterrand

Call to suspend sell-off of Mediobanca shares

BY ALAN FRIEDMAN IN MILAN

A GROUP of Christian Democrat backbench MPs yersterday tabled a resolution in the Italian parliament urging the Government to suspend a decision on the planned privatisation of Mediobanca, the Milan merchant bank.

The resolution which goes against the official position of the five parties of the ruling coalition government in favour of the project, is to be voted upon today, but is not expected to cause major problems for the historic Mediobanca privatisation plan.

It nonetheless is a symbol of discontent in some parts of the Christian Democrat party at the privatisation plan, a lack of enthusiasm shared by members of the opposition Communist party.

Earlier this week Mr Giuliano Amato, the Socialist deputy prime minister and Treasury minister, spoke in favour of the privatisation.

Yesterday, Prof Romano Prodi, chairman of the IRI state holding group that controls Mediobanca, said that while IRI had approved the proposal the final decision would rest with the government.

Prof Prodi said the privatisation proposal, which would see the state share of Mediobanca dropping from 56.9 per cent to 20 per cent, would leave effective joint control of the merchant bank in the hands of both private and state shareholders.

Study fails to sort out French social security reform

BY GEORGE GRAHAM IN PARIS

IF THE French Government hoped to avoid controversy by turning the problem of how to reform the social security system over to a committee of wise men, it has not succeeded.

The report delivered by the six sages has been generally welcomed as a far reaching analysis of the structural defects of the social security system, which is expected to show a deficit of FFr34bn(£340m) in 1988, even after some emergency funding measures this year.

But the process of consultation through regional assemblies has not settled the profound differences over the right approach to adopt to the deficit, or shifted France's entrenched interest groups from their positions.

The main proposals of the wise men are:

- The rebasing of the system of social security contributions to include a proportional tax on all incomes, removing the ceiling on contributions.
- Punitive taxation on alcohol and tobacco, and an immediate ban on all advertising for these products.
- The gradual raising of the retirement age, and an end to the more favourable pension rights enjoyed by miners, railwaymen, sailors and public employees.
- Refocussing the health system to concentrate on the prevention of illness, with a larger place for general practitioners whose fees should in the long run be set on the same basis as those of specialist doctors.
- More rational management of the hospital system, with fewer employees and higher wages, competition for catering and laundry services, the closure of some small maternity and psychiatric hospitals.
- The ending of price controls on medicaments, real competition in the pharmaceuticals market, and a single rate of reimbursement for prescription drugs.

Prime Minister Jacques Chirac has already given notice that some of the proposals are politically unthinkable before next year's presidential elections. Raising the price of tobacco and alcohol, for example, would have an unacceptable affect on France's rate of inflation, while the tax levied on all incomes is also ruled out before the election.

Lisbon trade blow

BY DIANA SMITH IN LISBON

PORTUGAL'S trade deficit worsened by 58.4 per cent between January and August, reaching Es377.5bn(£1.6bn), the highest in three years. In dollar terms, it increased 68.1 per cent. Imports totalled Es1.2 bn by August, up 43 per cent in dollar terms; exports reached Es830.7bn, up 37 per cent.

Export growth, though buoyant, was not enough to keep up with import pressure from a consumer boom and brisk demand for new factory equipment that reflects an increase in productive investment of nearly 15 per cent in the first nine months of this year.

The authorities would be more worried by the trade deficit were it not that invisible earnings from tourism and emigrants' remittances, an influx of direct foreign investment, and portfolio investment have led to an upsurge in foreign currency reserves.

VW hangs on to its lead - just

By Kenneth Gooding, Motor Industry Correspondent

THE Volkswagen group of West Germany, which includes Audi and Seat, retained sales leadership of the West European car market in the first nine months of 1987. But it is being chased hard by Fiat of Italy and there will clearly be a neck-and-neck finish to the year.

It is also increasingly likely that the record 11.7m cars sold in Western Europe in 1986 will be overtaken this year. By the end of the first nine months, registrations in the 17 major European markets were 5.7 per cent ahead of the same months in 1986 at 9.46m, according to reliable industry estimates.

Fiat in January added Alfa Romeo to its list of subsidiaries - which already included Lancia, Ferrari and Autobianchi - and has also benefited from the strength of demand in its domestic market where it is protected from Japanese imports and has a 60 per cent share.

W. EUROPE CAR MARKET
First nine months

	1986	1987
Total volume	8.95m	9.46m
	Market shares (%)	
VW-Audi-Seat	14.5	14.9
Fiat-Alfa-Lancia	14.1	14.4
Ford	11.8	12.1
Peugeot-Citroen	11.1	11.6
General Motors (Opel-Vauxhall)	11.2	10.8
Renault	10.0	10.2
Mercedes	3.7	3.6
Rover	3.7	3.5
Nissan	3.1	3.0
Toyota	3.0	2.8
BMW	2.6	2.4

Industry sources

The West German car market got away to a much slower start because as many as 50,000 extra cars were registered last December to take advantage of tax benefits on "clean" cars (those with pollution control equipment) which were reduced on January 1.

However, after nine months the West German market had improved by 3 per cent to 2.2m while Italy was 8.8 per cent up at 1.54m.

The Japanese share of West European car markets slipped from 12.1 per cent to 11.5 per cent in the first nine months following a warning from the Japanese Ministry of International Trade and Industry that the car producers risked a further upsurge of protectionism if they did not stop their push into Europe.

But the volume of Japanese car sales increased, from 1.078m to 1.084m and in West Germany, where the Japanese increased their penetration substantially last year, their share has remained stable at the record level of 14.8 per cent.

Among the other members of the European "big six", Peugeot-Citroen, which has overtaken General Motors, the Opel-Vauxhall group, made the most progress in the nine months.

GM's fall in share was mainly caused by a steep drop in sales in the UK, where its penetration was down from 15.1 per cent to 13.3 per cent in the nine months, because it is well-known GM's best-selling Vauxhall Cavalier (sold elsewhere as the Opel Ascona) is to be replaced next year.

Date for bases talks

The next round of talks on the future of the four US military bases in Greece will take place in Athens on November 9, a Greek government spokesman confirmed yesterday, writes Andriana Ierodiaconou. The bases are currently operating under a five-year defence and economic co-operation agreement

Financial Times writers analyse the implications of Iran's missile attack on Kuwait's Sea Island oil terminal

Kuwait drawn deeper into war

BY TONY WALKER IN DUBAI

YESTERDAY'S Silkworm missile attack on Kuwait's Sea Island oil terminal is one more confirmation that the tiny, vulnerable emirate is being inexorably drawn into the Gulf conflict. An accident of geography has placed the Kuwaitis, whose per capita income is one of the highest in the world, virtually in the eye of the storm.

Many of Kuwait's problems are the result of the escalating tanker war. Iran, exasperated at repeated Iraqi strikes against shipping and oil installations, has been threatening for months to hit back by attacking Iraq's Arab allies.

Kuwait, at the northern end of the Gulf, is among the most vulnerable of Iraq's allies.

It is also, together with Saudi Arabia, Iraq's most important backer. Kuwait has poured billions of dollars into the Iraqi war effort.

This money is unlikely ever to be repaid. But Kuwait's leaders have felt they have had no choice but to give maximum support to Iraq, even though Kuwaitis have little affection for their neighbour.

Much of Iraq's $30bn Arab debt is owed to Kuwait. The Kuwaitis also assist in other important ways.

East bloc arms for Iraq, particularly Soviet arms, are shipped through a special Kuwaiti port. Iran has repeatedly accused Kuwait of materially assisting the Iraqi war effort.

The Iranians also complain that Kuwait permits Iraqi jets to fly over its territory in their missions over the Gulf. But Kuwait says it has no choice but to allow these flights. "What do they expect us to do?" asked an official. "Shoot down an Iraqi plane?"

For Kuwait neutrality is not really an option, and yet the cost of siding with a regional power can be considerable.

Iran's displeasure with Kuwait has also been fuelled by the fact that it was the Kuwaitis who provided the pretext for the Americans to increase their naval presence in the region.

When Kuwait late in 1986 invited the US to help provide escorts for its tankers, no one had any idea that Washington would boost its naval forces far beyond requirements necessary for a tanker escort operation.

Kuwait's invitation helped underwrite the US strategy in the Gulf, which today appears to be to contain and intimidate Iran in the hope that it can be forced into agreeing to a United Nations-sponsored ceasefire. While Kuwait's efforts to internationalise the conflict probably succeeded beyond its leaders' wildest dreams, the US presence is something of a double-edged sword for small Gulf states.

It provides some, though by no means an absolute, guarantee of protection. On the other hand, it has angered a powerful, predatory and possibly vindictive neighbour.

Yesterday's attack showed once again that Kuwait is virtually defenceless against Iranian missiles fired from the nearby Fao peninsula on Iraqi territory occupied by Iran.

Ayatollah Khomeini: weary of politics

Attack shows Iran shying away from clash with US

BY SCHEHERAZADE DANESHKHU

THE IRANIAN attack on Kuwait's oil terminal, while obviously serious from the Kuwaiti point of view, was further evidence of Tehran's desire to keep its confrontation with the US in the Gulf within bounds.

The Iranians have been threatening since the US attack on two Iranian oil platforms in the Gulf on Monday to retaliate with "a crushing blow". But they have also been hesitant to provoke the full force of American retribution. An attack on Kuwait was the obvious answer, since Iran holds the Kuwaitis responsible for involving US forces in the Gulf in the first place but Washington has not spelled out any commitment to defend Kuwait.

Iran's options are limited by its weakened military capability and its awareness of the destructive potential of the US naval force in the Gulf. Even hard-liners in the Government have no wish to provoke the US unduly. And Iran's ability to carry out terrorist actions, which have repeatedly been hinted at by Iranian leaders of late, may have been weakened by the demise of Mr Mehdi Hashemi, the former official in charge of exporting the revolution who was executed nearly a month ago.

That is not to say, however, that the US attempt to stop Iran attacking tankers will succeed in subduing it. On the contrary, the evidence is that recent events - including the deaths of Iranians in the Gulf and the carnage at Mecca last summer - have served to unite the country, which earlier in the year had been showing signs of war-weariness.

Although external observers often focus on the alleged "irrationality" and unpredictability of Iranian actions, the recent attacks have obviously been the product of careful consideration in Tehran.

The top decision-making body on the war is the Supreme Defence Council, which submits its decisions to Ayatollah Ruhollah Khomeini. The council co-ordinates the role of the different branches of the armed forces, including the Revolutionary Guards. While corresponding bodies in other countries are often headed by senior military figures, in Iran the Supreme Defence Council is confirmation of civilian control over the military.

It is headed by President Seyed Ali Khamenei, but its most influential member is Mr Ali Akbar Hashemi Rafsanjani, the parliament speaker. Other members include the Prime Minister, Mr Mir Hussein Moussavi, the Minister for the Revolutionary Guards, Mr Mohsen Rafiq-Doust, and representatives from the army and the foreign ministry.

Although Ayatollah Khomeini has the final say, even he has to take into account the views of the military, the Revolutionary Guards and the Majlis or parliament. Policy is, therefore, usually a compromise designed to accommodate, at least in part, the differing views. These range from the hard line espoused by Mr Rafiq-Doust and Mr Moussavi to the relatively pragmatic line adopted by Mr Rafsanjani, Mr Khamenei and Mr Mohsen Rezai, commander of the Revoultionary Guards.

The Ayatollah himself tends to stay above factional in-fighting, and although he has had strong views on the war in the past, he has spoken in recent months of his weariness with questions of politics. In his last major speech three weeks ago, he confined himself to reiterating the importance of national unity.

There is little question that the factions are now burying their differences and uniting in the belief that they cannot be seen bowing to US pressure.

Under these circumstances it would be difficult to imagine the US succeeding in imposing peace in the area. Conflict between the two sides has so far been contained, and it is likely that both sides will continue to try and keep it under control. Nevertheless, the balance between saving face and preventing an escalation is a precarious one, and it could yet result in an all-out clash.

There is a further point. The Iranian Government still thinks it has time on its side. One day, it reasons, US forces will have to leave the region, leaving Iran dominating by virtue of its size, population and geographical position. The Reagan Administration knows it must therefore avoid creating a situation which the countries of the Gulf cannot live with.

The author is a researcher on Iran at the London School of Economics.

Kuwaitis unlikely to meet oil contracts

By Richard Johns

KUWAIT might have to declare force majeure on its crude oil contracts as a result of yesterday's Iranian missile attack on its Sea Island terminal, 12 miles offshore.

The missile struck the centre of the platform, setting it ablaze. The fire was extinguished within several hours and three men were reported to have been injured.

The extent of the damage had still not been assessed last night. The Kuwait Petroleum Corporation expressed hopes that the terminal could still be used.

KPC officials acknowledged, however, that the company faced formidable logistical problems in attempting to maintain exports of crude at the 300,000 barrels a day permitted by its quota under the Organisation of Petroleum Exporting Countries' production sharing pact after taking into account shipments of refined products and domestic consumption.

All three of the crude carriers among the 11 vessels registered under the US flag by the Kuwait Oil Tanker Company, a KPC subsidiary, are too large to dock at the berths at Kuwait's main crude terminal, Mina al-Ahmadi, which, with a draft of only 57 feet, can only accomodate tankers of up to 250,000 deadweight tons and then only partially load them.

Even if the terminal proves to be serviceable, it clearly remains a target exposed to future Silkworm attacks. Kuwait's main oil complex at Al Ahmadi is beyond the missile's range.

Kuwait is fortunate that its large refining capacity enables it too export 500,000 barrels a day of refined products.

Tamil Tigers 'form kamikaze squads' to attack Indian troops

INDIAN troops and Tamil rebels were locked in battle for control of Jaffna yesterday as Sri Lankan politicians squabbled over details of a peace accord, Reuter reports from Colombo.

Ignoring new surrender appeals, Liberation Tigers of Tamil Eelam guerrillas were reported to have raised suicide squads to try to hold back Indian troops pushing into their Jaffna stronghold at the northern tip of the island.

A Sri Lankan journalist just back from the Tamil Tiger stronghold quoted Tiger deputy leader Mahattaya as saying about 500 fighters had volunteered to form kamikaze squads for missions against Indian troops and armour in the final phases of the battle for Jaffna to allow main Tiger units to melt away.

On the political front, Sri Lanka's main opposition party urged the Supreme Court to rule as unconstitutional a proposed provincial council giving minority Tamils semi-autonomous powers in the north and east.

Raja Gunasekera, senior counsel for opposition leader Sirima Bandaranaike, in his court argument said a bill amending the constitution to provide for the councils infringed people's sovereignty.

The Supreme Court is hearing petitions against a government plan to set up a provincial council in the north and east under a July 29 Indo-Sri Lankan pact to end a guerrilla war for a separate homeland for Sri Lanka's Tamil minority.

India has sent an estimated 20,000 troops to enforce the accord which has been repudiated by the Tigers, the most powerful guerrilla group.

Defending the proposed decentralisation, President Junius Jayewardene said Tamil rights had to be recognised, adding: "It is those rights we hope to give while maintaining the unitary state of the country."

Amnesty call for leader of Philippines 'mutiny'

BY RICHARD GOURLAY IN MANILA

PHILIPPINES Vice-President Salvador Laurel yesterday suggested that the Government he effectively left last month should grant amnesty to the leader of a coup which came close to toppling President Corazon Aquino in August.

Mr Laurel said Col Gregorio Honasan should be granted amnesty as part of a policy of "national reconciliaton" and to unite the divided and still rebellious military.

"The grievances that provoked the mutiny have, after all, for the most part already been acknowledged as legitimate," Mr Laurel said. Most people describe what Mr Laurel called a "mutiny" on August 28 as a grab for power that would probably have led to a military/civilian junta had it succeeded.

Mr Laurel was referring to demands made by the rebels after the coup failed for better conditions and pay for the military and for a tougher stand against the Communist-led insurgents.

S Korea candidate teargassed

BY MAGGIE FORD IN SEOUL

ROH TAE WOO, presidential candidate of South Korea's ruling Democratic Justice Party, yesterday encountered tear gas for the second day running as he campaigned in the provinces.

A group of 50 youths were dispersed by police after scuffling with party officials outside a gymnasium where he was giving a speech in Jongjo, North Cholla province.

On Wednesday Mr Roh himself was the target of the tear gas canisters when he visited Kwangju, in south Cholla province. Relatives of victims of the bloody suppression of the 1980 Kwangju rebellion against the military government of President Chun Doo Hwan threw tear gas at Mr Roh and shouted "Down with dictatorship" and "Bring back our husbands".

At least 200 people died when the army put down the rebellion. Deep resentment remains against the President and Mr Roh.

Mr Roh later had talks with some of the victims' families and promised compensation and the erection of a monument to those who died.

The Government had earlier announced development plans for the province, which has been starved of funds in the past. Many believe the city has been punished for the rebellion by economic deprivation.

Mr Roh also revealed that plans to hold an outdoor rally in his home town of Taegu tomorrow were to be changed because of the problem of regional animosities. Rallies are to be held indoors for the present. The decision suggests that Mr Roh is finding it difficult to attracting support from the public, unlike the opposition candidates.

Regional feeling is emerging as a major concern among voters and politicians preparing for December's election. The large turnout of more than 500,000 people supporting Mr Kim Young Sam last weekend at a rally in his home town of Pusan has prompted claims that he is more popular than his rival Mr Kim Dae Jung.

On a visit to the latter's home town of Kwangju, which is much smaller than Pusan, about 300,000 people turned out to welcome him last month.

Nyerere set to stay inside the political arena

BY PHILIP SMITH IN DODOMA

TANZANIA'S elder statesman, Julius Nyerere, looks set to maintain his influence in the country he led to independence in 1961.

His nomination this week for the post of chairman of the ruling Chama Cha Mapinduzi party brings to an end over two years of speculation about the political future of the man who laid the foundations of socialism in Tanzania.

When the 65-year-old leader stood down as president two years ago he retained the key post of chairman of Tanzania's sole legal party. Although he told his people at the time that he would step down from the party job at the 1987 congress which opened in the capital, Dodoma, this week, he never repeated the statement - thus raising doubts as to whether he really was prepared to leave the political arena.

In the view of many observers, at stake was Tanzania's cautious but significant move away from the socialist model espoused by Mr Nyerere, towards policies endorsed by the International Monetary Fund and the World Bank which allow a greater role for private enterprise.

President Ali Hassan Mwinyi, Mr Nyerere's successor, had to take account of two rival views when he addressed the CCM's national executive committee earlier this week on the subject of the party chairmanship.

In one camp are the party members who have vested interests in a socialist system which saw a massive expansion in the state bureaucracy, notably through overstaffed and inefficient state-owned corporations.

The corporations offered both jobs and patronage and many party officials see their livelihood threatened by any radical reform of the state sector - a process which is slowly getting under way.

In the other camp is the business community which generally welcomes the changes of the past two years, in which price controls have been lifted, some state enterprises offered to the private sector and foreign exchange controls relaxed.

Economic indicators offer some modest encouragement to those who wish to follow reforms advocated by the International Monetary Fund, the World Bank and many leading donors.

The economy grew 3.3 per cent in real terms last year, matching the annual increase of the country's 23m population, and is expected to reach 3.5 per cent this year. Exports are picking up, with the 1987 forecast earnings of $400m well up on last year's $348m.

In the meantime relations with the IMF - a frequent target of criticism when Mr Nyerere was president - are sound. Last month Tanzania agreed to a further devaluation of the shilling and by January next year the rate is expected to have fallen from the present level of 71 shillings to the dollar to 90.

Both schools of thought about Tanzania's economic development are represented at Dodoma, where the congress is being attended by 1,700 delegates and observers from other African states, leading donor countries and the Eastern bloc.

According to the banners on display, economic direction would not appear to have changed. "Building of socialism and self reliance in Tanzania is a permanent task," proclaims one.

The debate within the conference chamber, however, might have a slightly different flavour. One party member says that the most important discussion document, "Socio-economic directives until 1990," raises the role of a capitalist sector.

Whether Mr Nyerere's nomination as party chairman, almost certain to be confirmed by the congress when they vote next week, will tilt the balance one way or the other remains to be seen.

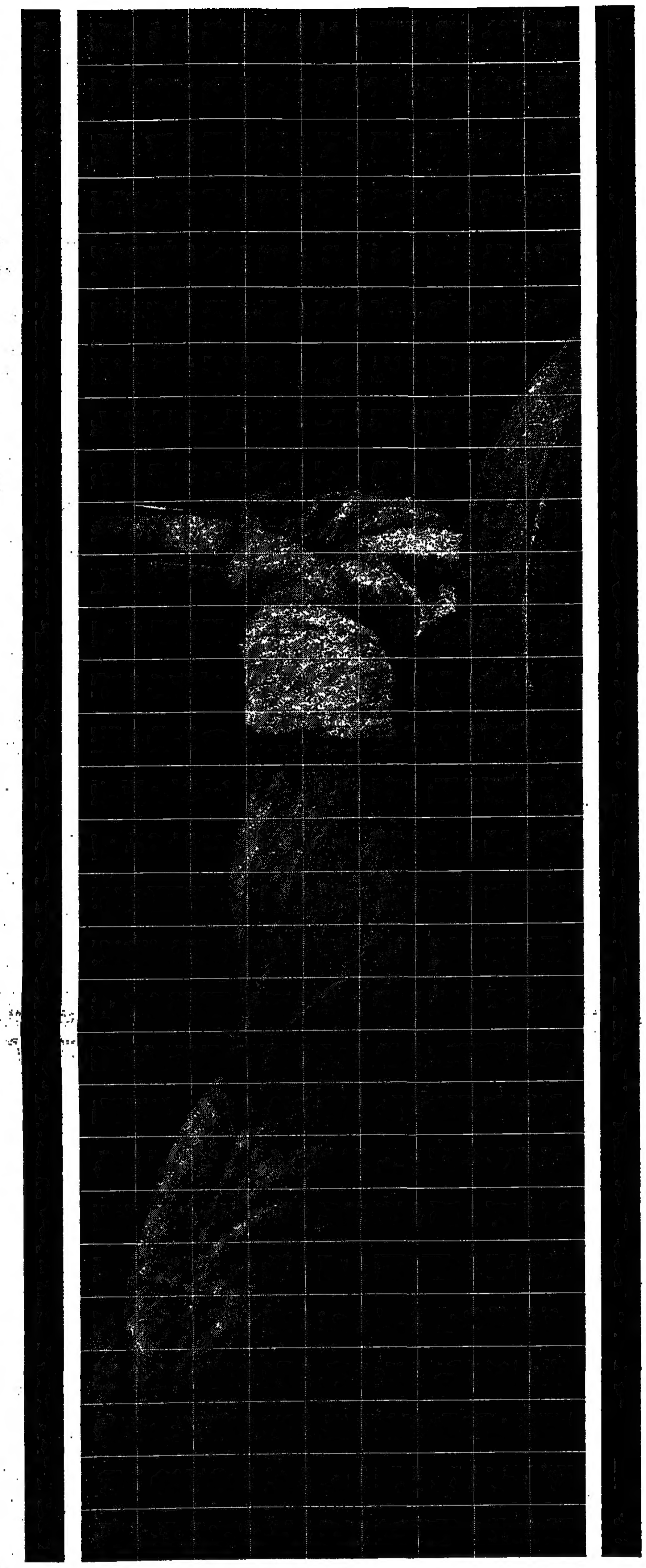
Some observers argue that his further term in office owes more to the desire of party members to ensure continuity and stability rather than a desire to put a brake on economic change. Although Mr Nyerere's socialist model for Tanzania proved far from successful, his own integrity and personal probity won him the respect of many of his people.

The clearest indication of Tanzania's programme for the years ahead is likely to come from Mr Mwinyi himself, due to deliver a major policy address to the congress, expected to last nearly two weeks.

FORMER Tanzanian president Julius Nyerere, pictured above, reaffirmed his country'scommitment to socialism yesterday when he opened a national conference of the country's ruling Chama Cha Mapinduzi party.

"The party will not brush aside or relax its strict stand on socialism and self reliance," he told 2,000 delegates packed into a grain warehouse near Dodoma.

He also praised his successor, Ali Hassan Mwinyi, who has steered Tanzania away from orthodox socialism towards a more liberal economic policy backed by the International Monetary Fund. He said Mr Mwinyi had helped Tanzania to maintain its unity and peace.



Muted home reaction to Argentina's inflation plans

Tim Coone analyses a scheme that should please foreign banks and companies

A REVAMPED debt-capitalisation scheme and a further opening up of the potentially lucrative oil and telecommunications sectors in Argentina, are reasons enough to make the champagne corks pop in the offices of the foreign banks and multinationals in Buenos Aires.

President Raul Alfonsin's latest anti-inflation package, announced last week, has drawn a rather muted response, however, from the normally vociferous political leadership, as the full effect of the wide-ranging and complex set of measures takes time to sink in.

Most of the political opposition has made carefully ambiguous comments on the package, preferring to reserve judgment.

Much will hinge on the public's inflationary expectations over the coming months. This will have an important bearing on interest rates and wage demands. If expectations are high, experts say interest rates will drop only with difficulty, especially as the Central Bank has now given a free rein to the market.

If rates were to drop sharply below the public's general inflationary expectations, depositers would shift their funds out of the banks and into more secure inflationary hedges such as government bonds and foreign currency - the black market for which has now been legalised. Banks will therefore compete with each other to retain their share of deposits and to prevent liquidity crises on their books.

Mr Eduardo de la Fuente, the president of the Argentine Industrial Union (UIA) said that if real interest rates do not come down "there will be little incentive for new investment in the package." High interest rates and a lack of credit have been major complaints of industrial leaders over the past two years and together with successive price freezes have forced many of the weaker companies to the wall.

The problem is reflected in the growing number of bankruptcies. In last August alone 123 companies went into receivership or faced insolvency proceedings, with debts totalling a record $100m.

The business community will find plenty more to bicker about with the latest measures. "Those who have more will have to bear more responsibility in supporting the rest," said President Alfonsin in defending the new measures. The renewal of "forced savings" (in which a proportion of profits and assets are to be lent to the government for a five-year period), proposals to increase profit and property taxes as well as import duties, and a sharp devaluation of 24 per cent in the past week will all raise company costs. With the new price freeze superimposed, profit margins face a substantial squeeze, giving managements reason to complain.

Not all has been as bleak as the UIA would like everyone to believe however. Industrial output has grown steadily over the past 18 months (albeit from depressed levels) and gross fixed capital formation has also begun to show a sustained recovery over the past year. It is this spark of hope that President Alfonsin and his economic team are desperately trying to fan with the new economic measures and his appeals for patience and political agreements with the opposition. Growth in industrial exports is seen as the long-term panacea for the nation's ills.

But where have the funds for industrial growth and investment come from so far if not from the financial system? According to surveys carried out by FIEL, an industry-sponsored economic research body, real wages in manufacturing industries fell by 23 per cent in the year ending last June. The fall has been aggravated by the inflationary surge since July, which has cut real incomes further by an estimated 10 to 20 per cent.

Mr Saul Ubaldini, the secretary general of the powerful General Confederation of Workers (CGT) said that wage rises announced shortly before the price and wage freeze "are not in the least sufficient to meet the needs of the workers." Mr Ubaldini has been itching to seize again the political initiative and lead the trade union movement into direct confrontation with the government to overturn its economic policy.

He is being undermined, however, by power struggles within the CGT and by opposition from the Peronist party, traditionally the party representing the trade unions.

A pact of "co-governability" is being worked out between the two main political parties, in which the ruling Radical party and its minority government will be able to push through the policies it needs at a national level. In return for this the Radicals will grant the Peronists the finances and policies they need at a local government level. Central government subsidies to the provincial governments give President Alfonsin substantial leverage.

The fight over the share-out of the national pie is one which President Alfonsin has sought to attenuate with his latest package. "A defusing of the inflationary bomb," he termed it, but it will at best achieve only a temporary respite.

President Alfonsin warned on Wednesday night that the fall in world commodity prices and steady climb in international interest rates will involve the transfer of an extra $700m more than planned to the exterior this year alone, "creating an explosive mixture".

Power struggle threatens trade union movement

THE ARGENTINE trade union movement is facing its most severe split in more than four years, writes Tim Coone in Buenos Aires.

Efforts to unify a strategy of industrial action against government economic measures have fallen foul of a power struggle in the General Confederation of Workers (CGT) and the opposition Peronist party.

The CGT, under its secretary-general, Mr Saul Ubaldini, this week resolved to go ahead with industrial action against a price and wage freeze introduced last week.

This is likely to include a renewal of the one-day general strikes which characterised the country's industrial relations during 1985 and 1986.

However, the resignation of eight of the 21 CGT leaders last weekend, including those linked to the powerful metalworkers union (UOM), raises doubts whether Mr Ubaldini will be able to co-ordinate effective strike action or whether the Peronist party can mount a parliamentary opposition capable of reversing the economic policy of President Raul Alfonsin.

Mr Lorenzo Miguel one of the traditional right-wing trade union "barons" in Argentina, and leader of the UOM, objected to a CGT nomination for a vice-presidential post within the Peronist party and instructed his group of followers to walk out of a CGT directorate meeting. This was followed by their resignations from the CGT leadership.

Mr Miguel wanted a trade union member of his "orthodox" wing of the Peronist party to occupy the post. This is strongly objected to by both the party leadership and the faction of the CGT led by Mr Ubaldini, which identify with the "renovation" wing of the party.

It was elements of the "orthodox" wing of the party which this year agreed wage deals with the government behind the backs of the CGT leadership and whose opposition to the "renovation" leadership of the party threatened to weaken the Peronists chances at the polls last September.

In the event, the Peronists won a surprising victory in the mid-term elections because of widespread dissatisfaction with the government's economic policy. The poll results strengthened the "renovation" wing which wants to prevent the "orthodox" wing from again obtaining key posts in the party leadership.

The Peronists are further weakened by differences of opinion between Mr Ubaldini and the "renovation" party leadership led by Mr Antonio Cafiero, who wishes to secure government guarantees over provincial government finances.

Mr Cafiero is worried that all-out industrial action might provoke retaliation by the government and a reduction in subsidies to the provinces (mostly controlled by the Peronists), whereas Mr Ubaldini is more concerned with recovering the lost purchasing power of his membership's wages.

Saul Ubaldini: disunited unions

Canadian car workers reach deal with GM

By David Owen in Toronto

GENERAL MOTORS of Canada and the Canadian Auto Workers union this week reached a tentative three-year labour agreement, bringing to a close seven weeks of talks with the Big Three auto manufacturers who dominate the industry.

The agreement, which averted the threat of a strike by 37,000 workers, was reached in spite of a wildcat stoppage by workers at one of the company's four Oshawa plants. It followed the resolution of a host of thorny local issues which threatened to precipitate a walkout.

While terms of the agreement were not disclosed, it is believed to conform to the pattern set in previous negotiations with Chrysler and Ford of Canada.

This provides for a base rate wage increase of 3 per cent in the first year and 25 cents an hour in each of the second and third years, together with partial indexation of pensions against inflation and the continuation of a cost-of-living allowance.

CAW president Mr Bob White said GM had matched Ford's commitment that job guarantees in the US would not result in job losses in Canada.

Sarney limits Cabinet changes

BY IVO DAWNAY IN RIO DE JANEIRO

A CHORUS of criticism yesterday greeted President Jose Sarney's limited reshuffle of the Brazilian Cabinet, formally announced late on Tuesday night.

After nearly two weeks of speculation on the moves, politicians, media commentators and businessmen have judged the changes to be far less than was originally promised when the president announced his plan to create a 'national unity' government in a nationwide television broadcast on October 8.

Instead, the administrative reforms presented this week have involved the sacking of just one minister and the shuffling of four others.

Mr Sarney's suggestion that he was ready to close agencies and even ministries and make the necessary changes 'without any political or personal concessions' has failed to materialise, analysts said.

In a scathing editorial headlined 'Masked Ball', the influential Rio de Janeiro daily, Jornal do Brasil, commented: 'Mr Sarney, who had promised an earthquake, has not succeeded in changing the image of the team with which he intends to govern.It's exactly the same team.'

Mr Sarney dismissed Mr Raphael de Almeida Magalhaes and shifted the controversial Mr Renato Archer from Science and Technology to the vacant Social Welfare ministry. Two other ministers have been moved sideways and the land reform agency has been reduced in status.

In political terms, the changes have done little to shift the balance between the dominant Democratic Movement Party (PMDB) and the rival centre-right Liberal (PFL).

The move of Mr Archer to the Social Welfare portfolio could have considerable significance for Brazil's trade relations with the US. As Technology Minister, Mr Archer had controlled the nationalistic Special Informatics Secretariat (SEI) that administers and applies laws protecting the country's information technology industry.

Brazil and the US are on the brink of a trade war over SEI's refusal to license the sale in the country of MS-Dos software produced by Microsoft. It is unclear whether Mr Luiz Henrique, the new minister, will be more conciliatory.

Business interests had been hoping that at least four ministries would be wound up in a gesture towards those seeking a reduction in size of government.

Sematech receives $3m grant

BY LOUISE KEHOE IN SAN FRANCISCO

SEMATECH, the US semi-conductor industry's ambitious co-operative plan to re-establish US leadership in chip manufacturing technology, has received a $3m grant from the National Science Foundation to fund its start-up activities.

Federal funding for the $250m-a-year project remains uncertain, however.

The grant, which is the first non-industry financing received by Sematech, will enable the industry group to continue a programme of workshops to refine its technical goals while it awaits word from Washington on the outcome of Congressional discussions.

Sematech funding of $100m for two years is included in the Senate Defence Authorisation Bill, while the House version would give Sematech $25m a year.

Sematech leaders had hoped to obtain federal funding for the project by September, but now say that they are optimistic that the funding will be approved by the end of the year.

Mr Larry Sumney, who is acting as managing director of the project, said the foundation grant "is a strong indication of government support for Sematech and it provides an excellent mechanism for the government to participate in the Sematech planning process." The grant comes to Sematech via the Semiconductor Research Co-operative, an industry sponsored research fund.

Sematech has postponed the selection of a site for its planned semiconductor manufacturing technology development operations "until we are confident of government funding," the group said.

Also awaiting word on funding are 13 companies that have "indicated a desire to join" Sematech. Sematech's business plan calls for member companies to provide half the funding for the project, with the government and state and local authorities together providing matching funds.

Among the companies that have said they would join Sematech are Advanced Micro Devices, AT&T, Digital Equipment, Harris, Hewlett-Packard, Intel, IBM, LSI Logic, Micron Technology, Motorola, National Semiconductor, Rockwell and Texas Instruments.

Together they represent the leading merchant and captive semiconductor producers. Non-US owned semiconductor makers have been excluded from Sematech.

EC animal hormone ban faces new test

By Tim Dickson in Brussels

A NEW LEGAL challenge to the European Community's ban on the use of hormones in meat production was launched in Brussels yesterday by a group of leading animal health companies.

The European Federation of Animal Health (FEDESA), which represents a range of European manufacturers of veterinary products including Bayer, Ciba Geigy, and Monsanto, announced that it has filed an action in Luxembourg on behalf of the French group Distrivet disputing the Luxembourg Government's decision to implement the relevant EC Directive 85/649.

Mr Michael Leathes, FEDESA's secretary general, vowed that the group would fight to overturn the hormones prohibition and warned that similar legal moves would be made in other member states, if necessary.

The plan, which does not come into effect until January 1 next year, was agreed by EC Agriculture Ministers in December 1985 and has since been reflected in new national legislation in all countries of the Community, except France.

The decision, which was widely seen as politically inspired and without scientific justification, has particularly infuriated the US, which maintains that more than $130m of meat exports to the EC – produced with the help of so called growth promoters – will be hit.

The Reagan Administration has threatened to start a new trade war, though the indications in Brussels this week are that the two sides are moving towards a compromise which could allow implementation of the hormones directive to be delayed.

The latest initiative from the animal health industry comes at a time when a US challenge in the General Agreement of Tarriffs and Trade (GATT) appears to be bogged down and only days after the Advocate General of the European Court of Justice handed down an opinion which rejected a series of largely procedural complaints by the UK against the passing of the ban.

David Barchard on schemes for a project that will change an historical natural skyline

Istanbul gets go ahead for third bridge

ISTANBUL'S energetic mayor, Mr Bedrettin Dalan, received permission to go ahead with plans for a third Bosporus Bridge last week, several months after indicating to Trafalgar House of the UK that such a project was possible.

This month the last sections of the platform on the second bridge are due to be lowered into place.

Mr Dalan, who yesterday said the 1,200m long bridge would be opened for tender in the near future, has hinted that the project, to be sited half a kilometre due south of the existing bridge, would probably be constructed on the build-own-operate franchise model invented by the prime minister, Mr Turgut Ozal. Its likely cost is estimated at $800m.

Given the attempt to prune public spending in Turkey at the moment, the project might not have got the green light if the country were not about to have general elections. Mr Dalan, a popular mayor leading the ruling party in what used to be an opposition stronghold, has used his political clout to the maximum to press ahead with such projects.

Though the people of Istanbul mourn the loss of the natural skyline of the Bosporus, they all recognise the urgent need to develop the city's transport system, which twice a day comes to a virtual standstill, sometimes for several hours.

The second bridge, being built by a consortium headed by C. Itoh of Japan at a contract cost of $520m, will only take intercity traffic. It has gone up much more swiftly than expected and could be in service months ahead of schedule next June, although an additional yen soft loan for Y10.46bn (£44m) was recently needed to keep up with the growing cost of the project. Previous loans of Y24.3m and Y27.3bn havec also been provided.

The access roads may not be ready for several months after the second bridge is completed, but temporary access roads are planned.

Mr Dalan wants the new bridge to be built on a franchise model and there has been talk of a deal with Trafalgar House without the contract going to an international tender. It is not clear that the Turkish Treasury in Ankara would go along with this idea.

Backing from the British Export Credit Guarantees Department would probably be the deciding factor, but not all UK officials believe that the third bridge would be the most fitting candidate to scoop Britain's notoriously meagre pool of funding for Turkish projects.

The next few weeks should determine whether or not the project is put up for international tender, in which case Trafalgar House could face tough competition - particularly from the Japanese, who won the second bridge tender in 1985 despite strong criticism from the UK Government.

The Bosporus Bridge is just one of a number of international tenders which Istanbul is in the process of awarding. When he took office, Mr Dalan took immediate steps to ease the city's transport system by purchasing five buses from Norway for $30m. Now he has moved on to long term projects.

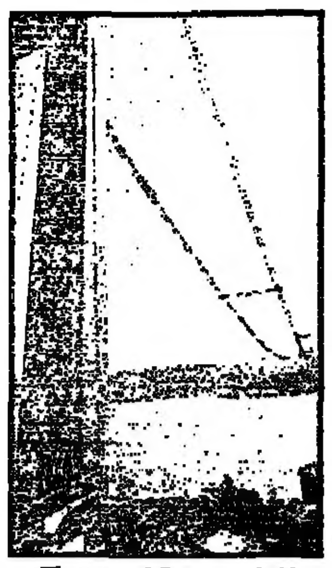
Next week the Istanbul municipality will announce the award of a contract to build a $200m road and bridge project stretching 10km from Besiktas to Samatya. Nine international companies including Costain International, George Wimpey and Tarmac, all of the UK, have put in bids. The contract will include the construction of a fourth bridge across the Golden Horn.

Other projects under way include a traffic signal scheme and work on a computerised system for monitoring traffic flows. Plans are now being laid for a tube and tunnel rail crossing under the Bosporus, for which Bouygues of France have done a feasibility study.

Plans for a new Istanbul metro (the city has a one stop metro built 100 years ago) lie in the more distant future. However Asea of Sweden last year won a contract to build a light rail transit system for part of the city.

The changes are not painless and have provoked outcry in some quarters. This is not merely nostalgia from those who regret the fact that from 1990 they will only be able to see the Bosporus, one of the world's most magnificent waterways, girdled by three bridges.

Mr Dalan has also started knocking down a swathe of old buildings to push his new road down from Taksim Square to the Golden Horn. Venerable but sooty Victorian facades are disappearing to make it possible for Istanbul commuters to get home each night in something less than the infuriating bumper-to-bumper ride which they have to endure at present.



The second Bosporus bridge

Hawke unveils plan for farm trade reform

BY WILLIAM DULLFORCE IN GENEVA

MR BOB HAWKE, the Australian prime minister, yesterday unveiled the most detailed plan so far for the reform of world agricultural trade.

Elaborated by 13 nations of the Cairns Group, it calls for a three-stage approach, starting with a freeze on production and export subsidies.

This would be followed by a 10-year programme to roll back government farm supports and negotiation of a long-term framework for agricultural trade, to come into effect at the end of the 10 years.

In a speech at the Geneva headquarters of the General Agreement on Tariffs and Trade (Gatt) Mr Hawke also announced that Australia was prepared to eliminate all quantitative restrictions on imports of manufactured goods and to negotiate reductions in the tariffs protecting Australian industry.

The farm trade plan will be formally submitted next week to the group negotiating on agriculture in the Uruguay Round of the General Agreement on Tariffs and Trade.

It follows a sweeping US proposal tabled in July for the abolition of all farm trade subsidies by the end of the century. The European Community will also submit next week its more cautious two-stage programme for improving agricultural trade.

The Cairns Group accounts for more than a quarter of world agricultural exports. In Mr Hawke's words, it is "fed up with being caught in the crossfire" of the farm subsidies war waged between the US and the EC.

Billing themselves as fair traders, Argentina, Australia, Brazil, Canada, Chile, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay concluded an alliance in Cairns, Australia, in August, 1986. They constitute the third force in international farm trade alongside the US and the EC.

Mr Hawke yesterday pinpointed two deficiencies the Cairns Group had found in the US reform proposal. It provided no early relief from the distorting effects on trade of current practices and it did not recognise that the biggest responsibility for reform lay wih the US and the EC, whose policies were causing the greatest damage to world markets.

Under the Cairns plan early relief measures would be implemented by the end of 1988. They would include a ban on new quantitative restrictions on farm imports. This would, for instance, prevent the EC extending its variable levies to new commodities.

All export and production subsidies would be frozen. Governments would make a political commitment to dispose of their current enormous surplus stocks in ways that would not disrupt markets.

From the end of 1988, the Cairns group suggests, countries should demonstrate their political will for improved farm trade by agreeing to an across-the-board cut in all export and production subsidies.

During the subsequent 10-year reform programme countries would undertake to reduce and eliminate trade distorting policies. Each country would follow a schedule of reductions, based on an agreed measure of its aggregate farm support and implemented in a Gatt non-discriminating form.

Priority treatment would go to the phasing out of export and other subsidies and to the "systematic enlargement of import access" by reducing tariffs and doing away with other barriers.

The plan calls for a three-stage approach - starting with a freeze on production and export subsidies, to be followed by a 10-year programme to roll back government farm supports, with renegotiation for a long-term framework for farm trade

Agreement would be needed to prevent regulations protecting human, animal or plant health from being used as barriers to trade, the Cairns Group specifies. This would call for international cooperation in their application.

Full liberalisation of farm trade would be realised by agreement on a long-term framework. This, the Cairns Group proposes, should include a binding of all tariffs on farm products at zero or at low levels.

(Under Gatt a country agrees to "bind" individual tariffs at a given level. If it then increases a tariff rate, other countries can demand compensation.)

All measures not explicitly allowed for in Gatt would be prohibited under the long-term framework. This provision would force the EC to do away with its variable levies, which seek to ensure that prices of imported products do not conflict with prices paid to domestic producers.

Other countries would have to abandon the minimum import prices they now impose.

Some exceptions would be allowed under the framework proposed by the Cairns Group.

Agricultural trade has become the centrepiece of Gatt's trade-liberalising Uruguay Round and the touchstone of its success. With the tabling next week of the Cairns and EC proposals, the three biggest blocs of farm traders will have staked out their opening positions in the negotiating group.

S Korea surplus rises to record

SOUTH KOREA announced its biggest monthly current account surplus yesterday, showing that its economy had weathered a wave of summer strikes, Reuter reports from Seoul.

But government officials expressed acute concern over widespread inflationary pressures at home, and the likelihood of tougher US calls for Seoul to open its markets and revalue its won currency

The Bank of Korea said soaring exports and increased tourism earnings had helped to take the current account surplus to $1.27bn last month, making a total surplus of $6.93bn between January and September.

The figure came close to the $7bn ceiling for the whole of 1987 set by the government in June during talks with the International Monetary Fund aimed at averting too fast a revaluation of the won.

Bank officials predicted the surplus would reach $9bn for the whole of 1987 against $4.65bn last year.

Bank officials attributed the sharp rise in exports to brisk shipments of electronics, cars, textiles, machinery and footwear. Tourism earnings rose to $1.69bn in the first nine months from $1.05bn a year ago.

Bank officials said September's record surplus was partly due to a resumption of export deliveries after delays caused by a wave of strikes

Trade Ministry officials said with Seoul's trade surplus with the United States forecast to reach $8.5bn this year against $7.4bn in 1986, they were bracing themselves for more pressure from Washington.

Egypt, Uganda near $300m barter deal

EGYPT and Uganda are close to concluding a $300m barter deal under which Egypt will build 10,000 housing units in Kampala and help Uganda develop wheat exports to pay for them, Reuter reports from Kampala.

Mr Shamir Abdallah, the Egyptian ambassador, said yesterday that preliminary agreements for the deal had already been signed.

He said that Uganda would pay 90 per cent of the $300m construction costs in the form of coffee and wheat exports to Egypt. The remaining 10 per cent would be paid in hard currency.

A final agreement between the finance ministries of the two countries is due to be signed before March. This would set out detailed terms of payment and the extent of Egyptian technical assistance for wheat growing in Uganda.

The ambassador said Egyptian companies would build 10,000 new housing units in Kampala and two new roads to open up potential wheat growing areas in eastern and western Uganda.

Madeira deal for Finns

Nokia Oy, the Finnish telecommunication company, has signed an agreement with the Portuguese Telephone Authority to deliver a mobile telephone system designed for sparse populations on the island of Madeira, Reuter reports from Helsinki.

The system, due to be completed in 1988-89 at an undisclosed price, will be set up in the Madeiran capital, Funchal, and then the whole island.

New venture to capitalise on Singapore-China links

BY CHRIS SHERWELL IN SYDNEY

A COMPANY with links to Singapore is being launched in Australia to capitalise on the island state's growing business links with China.

The company, called AsianLink Corporation, is being billed as a chance for Australian investors to obtain immediate access to several joint ventures in China and an opportunity to participate directly in the Chinese economy's expansion.

The group is raising A$37m through a public float and will use part of the funds to acquire the China-related activities involving Singapore's Metro group.

About 4 per cent of AsianLink will be held by institutions from China, including the investment bank Citic and the industrial enterprise Norinco. They will have a representative on the board.

Another 53.5 per cent will be held by the public, while the remaining interest will be in the collective hands of Metrobilt, a subsidiary of Metro, and a Hong Kong investment company controlled by Metrobilt directors.

Among the projects in which AsianLink will be involved are a Peking hotel, commercial and residential complex, the redevelopment of a building in Guangzhou, and the management of a number of other construction projects.

It will also establish an electronic producs trading company in Singapore and fulfil a 10,000 tonnes-per-month cement contract to a Hong Kong subsidiary of a Chinese group.

Pirelli signs $13m tyre plant order with China

BY ALAN FRIEDMAN IN MILAN

PIRELLI, the Italian tyre and cables group, has signed a $13m contract with China to help build a radial tyre factory

The deal, agreed with the China National Chemical Construction Corporation, calls for Pirelli to supply know-how, engineering, some equipment and technical assistance for the installation and start-up of the plant. The Italian company will also help to train Chinese technicians in Peking.

UK NEWS

Consortium buys Allied Steel and Wire for £181m

BY CLAY HARRIS

ALLIED Steel and Wire, the first of the Phoenix joint ventures to be established between the state-owned British Steel Corporation and private companies, was sold for £181m ($298.6m) yesterday to a consortium including City of London institutions and the management of Allied, a rod and wire producer based in Cardiff, Wales.

GKN, the motor components and industrial services group which was BSC's partner in the company created in 1981, has sold its interest for £84m in cash. BSC, however, has taken a 20 per cent stake in ASW Holdings, the buy-out vehicle, while extracting £44m in cash.

Since it was established as the prototype for the co-operative rationalisation (by eliminating overlapping production) of the UK steel industry, Allied has moved from an operating loss of £13.9m on sales of £306m in the 18 months to the end of 1982 to an operating profit of £19.9m on sales of £328m in 1986.

Yesterday's buy-out is intended to lead to a stock market flotation within two years. It was hailed by Mr Kenneth Clarke, a government economics, as "an important milestone for the UK steel industry," not only because it reflected institutional investors' confidence but also because BSC's sale of a majority of its shareholding marked a significant reduction in public sector ownership.

The buy-out follows a radical restructuring of Allied into separate profit centres, each with decentralised management and union negotiations. Employment has fallen from 4,000 to 3,000 in six years.

With capital investment totalling £34m, productivity has more than doubled at the Tremorfa billet and bar works in Cardiff and other plants at Scunthorpe, Sheffield and Birmingham have shown strong improvements.

Allied's main products include wire rod, reinforcing bars and merchant bars, mostly used in the construction and general engineering industries. It also makes nails and wire.

Mr Alan Cox, formerly of GKN and Allied's chief executive since its creation, emphasised yesterday the importance of technical exchange agreements with Kobe and Kyoei Steel, two Japanese steel groups, which have established "best world standards" against which Allied can monitor its performance.

GKN said its disposal reflected its policy of selling peripheral activities to concentrate on selected strategic businesses. The £84m proceeds, a small discount on book value, would be used to reduce borrowing.

GKN's divestment included the 3.4 per cent stake it recently bought from Elkem, the Norwegian metals group, which acquired the holding when it sold Manchester Steel to Allied in 1985.

In addition to BSC's 20 per cent stake in ASW, 24 managers have subscribed a total of £700,000 to take a 10 per cent stake. The remaining 70 per cent of ordinary shares is split evenly between Charterhouse Buy-out Fund, Mercury Asset Management and 3i, the venture capital group. Employees will shortly be granted share options.

S.G. Warburg, the merchant bank which advised ASW, has arranged an £85m medium-term loan facility, of which £65m is likely to be needed immediately to fund the buy-out.

BSC's other large Phoenix joint ventures are United Engineering Steels (also with GKN) and Sheffield Forgemasters (with Johnson Firth Brown). Smaller ventures are British Bright Bar, Clyde Shaw, Cold Drawn Tubes and United Merchant Bar.

Men and Matters, Page 26

Keeping a stiff upper lip as London fails to revive

BY DAVID WALLER and MARTIN DICKSON

IT WAS the day that calm rationality was expected to return to the market.

At 8am yesterday an equities analyst stood up at the regular morning meeting of share salesmen and market makers in a leading London securities house and confidently declared: "We have passed the phase of stiff upper lip, knee-jerk responses to what's going on. It is now time to start the rational pursuit of cheap stocks on low p/es."

At first, it looked as if he, and a hundred other experts, were going to be right. New York had closed the night before with a record rise and Tokyo had also finished up - though it had been dropping late in the session and closed well below its peak for the day.

By 10.24 the FT-SE 100 index was up 16 points. "It looks like a flat, normal day," said one relieved trader, eyeing large patches of blue figures - indicating rising prices - on his Topic share information screen.

But the next few hours were to bring another day of wild gyrations in share prices, demonstrating the extreme nervousness that lay just beneath the morning's surface confidence.

Every market maker had his own views on precisely what combination of factors caused sentiment to turn so bearish so quickly. In part, it seems to have been due to heavy selling of Japanese stocks in London during the morning, eroding confidence in the Tokyo market, which has yet to suffer setbacks on the scale of London and New York. Others cited a sharp drop in the German equity market and record level of share options expiring in London.

Another blow to confidence was the mid-morning news, tannoyed across the dealing room floors, that the Iranians had attacked a Kuwaiti oil terminal. No further details were available... but a US response was expected...The flickering numbers on the screens began changing from blue to red.

Whatever the precise cause of yesterday's plunge, the various potential culprits underlined afresh the close inter-relationship of moods between the major world markets. "But I'm far from sure whether we're leading New York or New York is leading us," said the head of market-making at one large house.

Sir James Blyth

Boots names a new chief executive

By Lisa Wood

SIR JAMES BLYTH, the former managing director of Plessey, the UK electronics group, has been appointed chief executive of Boots, the pharmaceuticals and retailing group.

Mr Robert Gunn, who has until now combined the role of chairman and chief executive of Boots, will continue as chairman.

Sir James resigned from Plessey earlier this month, the day after the announcement of a merger of Plessey's telecommunications interests in a 50-50 joint venture with those of the General Electric Company.

Sir James's resignation from Plessey followed weeks of speculation about a rift between him and Sir John Clark, the group's long-serving chairman and chief executive.

Boots, the fourth largest company in the retail sector in terms of market capitalisation, has been seeking to change itself from a pharmacist-driven organisation into a more thrusting retailer.

Mr Gunn decided some time ago that he wished to split the role of chairman and chief executive so as to give him more time for strategic considerations and external relations.

Sir James, who is aged 47, started his career in marketing and sales and worked at Mobil Oil, Mars and General Foods. He was a general manager at Lucas Batteries and then Lucas Aerospace before being seconded to the Ministry of Defence as a head of sales. He joined Plessey in February 1986.

We hadn't been back to Skye since our honeymoon, but nothing had changed.

Lochalsh was just as breathtaking, Helen just as lovely.

"You're still an admirer then?" she said, indicating the Volvo.

"More than ever," I replied fervently and it was quite clear that I didn't mean the car.

Which was a little awkward, considering we'd been divorced for nearly three years.

The timely arrival of the ferry saved me from further confusion and we were across the loch and heading for Harlosh before Helen asked the inevitable question.

"So what are you doing here? A sentimental journey?"

"Not at all," I replied a little too quickly. "I had some business in Inverness and, well, it's a chance to try out the car. I only took delivery on Monday."

Helen must have caught a note of pride in my voice, for she snuggled deeper into the leather seats and looked up impishly at me.

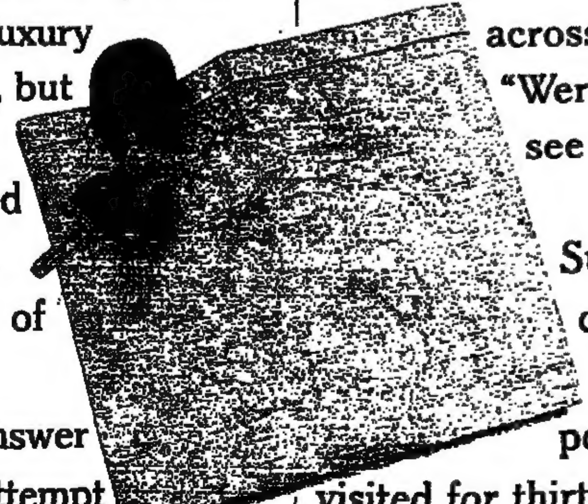
"A little extravagant for you, isn't it?"

I refused to rise to the bait.

"It cost £19,800 excluding number plates and delivery," I said mildly.

"For that, I get a 2.3 litre, turbocharged, fuel-injected engine, capable of speeds far in excess of anything I need these days, but pleasing all the same."

"It's extremely comfortable, as you may have noticed, very reliable and it has a hint of luxury that I not only like, but feel I've earned."



The smile faded from Helen's face.

"Were we part of the price?"

There was no answer to that, so I didn't attempt one. To give myself a breathing space, I slipped a tape into the player and filled the car with Thelonious Monk.

For the next few miles, Helen seemed lost in the music, whilst I was pleasantly absorbed in noting how effortlessly the 760's new suspension coped with the bumpy, twisting mountain road.

And then, inevitably, the nearer we got to Harlosh, the farther back my thoughts drifted.

Thirteen years ago, I had driven down this same road, in the same make of car, with the same girl in the passenger seat.

My first love, my first car. I'd no idea what happened to the Volvo, but Helen and I had followed a well-trodden path.

We hadn't so much drifted apart as sailed full steam in opposite directions, both of us so busy building our separate careers that one day we found we'd made separate lives as well.

"Richard?"

Her voice cut through the Monk and the memories and I looked across at her.

"Were you surprised to see me at the ferry?"

I nearly choked. Surprised? Just because I drive into a remote Scottish port that I haven't visited for thirteen years and find my ex-wife waiting at the dockside, calmly asking for a lift to the hotel where we'd spent our honeymoon?

"Not at all, I always keep in touch with old friends this way," I said flippantly and instantly regretted it when I caught the flash of pain in her eyes.

"I came up here to do some research for the rag," she volunteered, "and I suppose the fact that it would have been our anniversary put the idea into my head."

"Anyway, when I saw the Volvo drive up, I thought God, wouldn't it be funny if it was Richard and then when you got out..."

"It wasn't so funny after all," I finished for her.

"Something like that."

There was an odd note in her voice and I waited, wondering what was coming next.

"Do you remember that old Volvo we had?"

I thought of the battered snapshot in my wallet and said nothing.

"No electric sun-roof," she continued, "no electronic climate control, no electronic anything, but it was a sweet little car."

Ahead of me the lights of Harlosh flickered in the gathering gloom, and I slowed, searching for the turning to the hotel.

"What do you think happened to it, Richard?"

"Knowing Volvos," I said casually, "it's probably still going strong."

"Unlike us," murmured Helen in a voice so low I could barely catch it.

I counted silently to three, took a deep breath and plunged.

"We should be there in time for dinner, if you'd care to join me?"

"For old time's sake?" she asked.

I shook my head and thought, oh well, in for a penny, etc.

"They say the average life of a Volvo is about twenty-one years," I said carefully.

Helen merely looked at me.

"It occurred to me," I went on, "that if you're not doing anything for the next decade or so, we could put this one to the test."

There was a long silence and my heart lurched.

Then she said quietly, "Don't you trade your car in every three years or so?"

"Usually," I replied and noticed I was gripping the wheel a little too firmly.

"But just lately I've learnt that some things become even more valuable, the longer you hold on to them."

"I am," said Helen slowly, "quite remarkably hungry."

The new Volvo 760 Turbo.

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Directors urge radical policies for economy

BY HAZEL DUFFY

THE INSTITUTE of Directors today launches a renewed attempt to urge the Government to have further radical policies in all sectors of the economy.

"A New Agenda for Government," which is being presented to ministers, calls for lower taxation, substantial cuts in public spending and an expansion of privatisation in the areas of the welfare state.

The policy document says the *Chancellor's aim of a basic rate* of 25p income tax must not be the final goal. "The aim should be a far lower basic rate, as low as 10 to 15 per cent, if this country is to become truly competitive in a world market increasingly shaped by Pacific Basin performance."

It also calls for the tax structure to be reformed to levy tax proportionately across all income bands above the tax-exempt thresholds. Tax would still be progressive at lower lev*els because of the tax exempt* personal allowances and the present stepped rates of national insurance contributions. Capital gains and inheritance taxes should be abolished.

Sir John Hoskyns, IoD director general, says government spending must be reduced to enable the cut in taxes. "People must be given greater opportunity to make their own welfare provisions with their own money, with government only providing support for those who genuinely cannot cope for themselves. *That was the message in* the original Beveridge Report."

The organisation, funding and provision of the welfare state, including pensions, unemployment benefits and the National Health Service, should be reviewed with a view to increasing the level of private provision and individual choice.

Four specific objectives are *identified* in the programme:

● The government or local authority should be made to demonstrate that a service be retained within the public sector and not transferred to the private sector.

● Where a service genuinely cannot be sub-contracted by government or local authority, increased competition and consumer choice must be introduced.

● Ownership and control of assets must be much more widely spread if people are to accept the diminishing role of the state.

● State interference must be reduced. Excessive regulation adds to public spending and to private sector costs.

The document says: "Despite the rhetoric, public spending has not been significantly reduced...as a proportion of GDP it is nearly 43 per cent in the current year, differing little from the proportion in 1978/9."

Zeebrugge disaster crew 'badly treated'

PENINSULAR and Oriental Steam Navigation was criticised yesterday over its treatment of crew survivors of the ferry Herald of Free Enterprise.

Only four of the 42 surviving crew have jobs at sea, according to a Press Association investigation.

Others said they were suffering from psychiatric stress, money worries, marital problems and fears of long-term unemployment. They claimed to be largely unaided by the company.

P & O yesterday promised immediate action over the complaints. Mr Peter Ford, chairman of P & O European Ferries, formerly Townsend Thoresen, said the company's managers *had done everything* possible to help the crew.

Mr Leslie Stephenson, deputy managing director, urged the Government to set up a specialist unit to give advice to companies on how to handle the aftermath of a tragedy.

The PA investigation discovered that all Herald crew on return from Zeebrugge were "docked" out of their annual leave for the three weeks the company *told them to take off.*

Mr David Shaw, Conservative *MP for Dover, said that it* seemed appalling.

Kevin Brown reports on a ferry chief's plans to deal with tunnel competition

P & O plots victory course in the Channel

SIR JEFFREY STERLING, chairman of P & O, keeps two large statuettes in his office in Pall Mall, London - one each of Napoleon and Wellington, both represented triumphant on horseback.

The statues symbolise a determination to be on the winning side, especially when it comes to the business of crossing the Channel, about which Napoleon and Wellington had something of a disagreement *some years ago.*

Sir Jeffrey also has a fight on his hands if he is to protect P & *O from* the consequences of possibly ruinous competition when the Channel Tunnel opens in six years' time.

Up to now he has played his cards close to his chest, taking little part in the campaign against the tunnel orchestrated by *Flexilink*, the consortium formed by ferry operators to put their case.

His strategy was to wait and see whether Eurotunnel, the fixed link consortium, could raise enough money to finance construction, before entering the fray.

Sir Jeffrey has now revealed his hand however, with a declaration that the *Office of Fair* Trading will soon be asked to approve detailed talks between ferry operators on rationalising services.

The timing of the announcement was not accidental: it came on the same day that Townsend Thoresen, the P & O subsidiary which operated the ill-fated *Herald of Free Enterprise*, officially ceased to exist.

The sinking of the Herald in March, with the loss of 188 lives, effectively destroyed the Flexilink campaign to stop the tunnel, led by Mr James Sherwood, chairman of Sealink UK, which concentrated on the alleged safety hazards.

The Townsend business, renamed P & O European Ferries, is under new management, but it will be a long time before P & *O is able to put the Herald* tragedy behind it, but there is unlikely to be a better time to launch a campaign.

There are four elements to P & O's strategy:

● Achieving "substantial" cuts in the 6,000 *staff* of European Ferries, particularly in the numbers at sea. P & O wants to avoid a fight with the unions over redundancies, and is offering retraining facilities as well as severance pay. Initial talks have already been held with union leaders.

● Upgrading the image of ferry travel by re-equipping modern ships with better facilities and replacing older tonnage.

● Determined lobbying in Whitehall for cast-iron guaran*tees against predatory pricing* by Eurotunnel, parity of treatment in areas such as speeded up customs and immigration services, and improved road communications to Dover.

● Talks with Sealink and other companies on rationalisation of services, joint marketing, issuing of tickets and management, for which OFT permission is required.

Sir Jeffrey Sterling: has the will to win

P & O has also had initial talks with Dover Harbour Board and Belgian, French and Dutch ferry operators, all of which have small shares of the Channel business.

The aim would be to create a single, unified competitor to the tunnel, which Sir Jeffrey regards as a monopoly with potentially *unfair government* support.

The key to achieving this is an agreement with Sealink, which has 36 per cent of the passenger market on short sea routes to France, compared with P & O's 44 per cent.

Given that P & O and its Belgian associate, Regie voor Maritiem Transport, *also have 98 per* cent of the market from Dover to Belgium, such an arrangement would clearly have huge competition implications.

Sir Jeffrey recognises that the OFT will take some persuading *that the threat from the tunnel* is sufficient to justify this virtual monopoly of the sea routes.

As an incentive, the ferry companies are likely to undertake to freeze fares in real terms, or even to cut them, while the *restructuring takes* place. Once the tunnel is operating, the argument runs, prices will have to reflect market realities, and a monopoly of sea routes will be meaningless.

Sir Jeffrey says P & O will produce figures proving that revenue from the existing services cannot finance necessary redundancies, or replacement *ships - especially the "jumbo"* ferries needed to compete with the tunnel.

The group is vulnerable, however, to accusations that it is using the tunnel threat to force through large scale economies, of the sort which have provoked bitter strikes in other ferry companies, without a fight.

Sir Jeffrey says there is an awareness among the staff that there have to be changes if the company is to survive the tunnel competition. The OFT is *likely, however, to want to know* why these changes cannot be achieved without the formation of a cartel with P & O's biggest competitor.

What is clear is that P & O will *negotiate with Sealink from a* position of strength, and is likely to be able to impose its will on any agreement that may be drawn up.

European Ferries has the biggest market share; modern *ships, including the two biggest* ferries ever built for the Channel; a good profit record from ferry operations and the strength of one of the UK's biggest companies behind it.

Sealink, on the other hand, suffered badly from a rash of strikes last year, has generally older ships, and a patchy profits record, though it has improved both revenue and market share this year.

Sir Jeffrey says his natural in*stinct is to use European Fer*ries' strength to take on Sealink in the market place, but points out that a pricing battle would weaken both companies before the tunnel even opens. It could also allow a new competitor into the market.

Sir Jeffrey says he has a simple message for ministers: "What the Government has to decide is whether it wants strong and effective competition to the tunnel; if it does there has to be restructuring *and this is the best way to go* about it."

He plans to use all his personal influence in the coming months - he is an adviser to Lord Young, the Trade and Industry Secretary, and a member of the Cabinet privatisation committee - to get this message across.

MSC plans revamp of adult training

BY CHARLES LEADBEATER

THE 10-strong policy-making body of the Manpower Services Commission yesterday endorsed a paper proposing a far-reaching overhaul of train*ing provisions for the adult* unemployed.

MSC officials hope to draw up a detailed agenda for implementing a thorough re-organisation and simplification of adult training by the turn of the year. The changes would be implemented in autumn 1988.

Sir Bryan Nicholson, the retiring commission chairman, *said there was a growing* recognition that the Job Training Scheme (which offers a mix of work experience and training) and the Community Programme (the main programme for the long-term unemployed) were becoming more alike.

Senior officials indicated that the main obstacle to merging the two schemes was integrating the system for paying participants.

Participants in the CP will, from August 1988, be paid on a benefit-plus basis. The premium on top of social security benefit is intended to cover travelling and other expenses. Participants in the JTS are not paid on a benefit-plus basis.

Pressure to merge the two schemes follows the failure of *the JTS to expand as* quickly as ministers hoped when it was launched nationally in April. About 20,000 people are on the *scheme, while the Government* aimed to have 110,000 places by the end of the year.

Texaco discovers oil near North Sea Tartan field

BY LUCY KELLAWAY

TEXACO, the US oil company, yesterday announced it had *made an oil discovery in the* North Sea close to its producing Tartan field.

Further drilling would be needed to establish the extent of the find, Texaco said, but if successful the field would be developed and tied into the existing platform. The well, drilled on block 14/20b, flowed at a rate of 6,725 barrels of oil a day.

Analysts said the field, which may contain about 50m barrels of oil, could be developed profitably at present oil prices us*ing similar "subsea" techniques* to those used by Texaco for its Petronella and Highlander fields.

The find is typical of the sort of discovery now being made in the North Sea. About 100 such "marginal" fields are waiting to *be developed using existing* platforms and pipelines.

● Shell has placed orders *worth £33m for work on its* Tern and Eider fields in the North Sea. The contracts, which cover the final commissioning of the platforms, laying pipelines and hiring flotels have been awarded to Press Offshore, Saipem UK, Safe Offshore UK and AOC International.

Tern and Eider are the only big projects underway in the depressed offshore supplies industry, and together will have provided 6,000 jobs during the development phase. The fields are due to start production in 1989 at a cost of £1.2bn.

National Heritage Fund given grant of £20m

BY ANTONY THORNCROFT

THE National Heritage Memorial Fund yesterday received an unexpected grant of £20m from Mr Nicholas Ridley, Environment Secretary.

The fund, established in 1980, has the task of safeguarding the national heritage, and its annual grant of £3m is proving inadequate to the task, in a period of *booming saleroom prices for* works of art. The Government has stepped in with a generous top up, but now expects the fund to get on with its work without complaints of limited resources.

The last time the Government found substantial additional resources for the fund was in 1985, when £25m was handed over to safeguard three *threatened* stately homes: Kedleston Hall, Weston Park and Nostell Priory. This time there is no imminent emnergency, although the fund has only £1m it is prepared to spend up to the end of March. It is reluctant to dip into its reserves of about £18m.

Earlier this month the Heritage Fund contributed £900,000 to keep in the Tate Gallery Picasso's painting Weeping Woman, which was to be sold by the trustees of the late Roland Penrose's estate. Other major grants this year have been £1.5m, also to the Tate gallery, to secure Constable's painting Waterloo Bridge; £200,00 to enable the British Museum to safeguard the Coke-Melbiourne archive; and £230,000 for Myten's portrait of the 1st Duke of Hamilton, destined for the Scottish National Portrait Gallery.

A quarter of the fund's grants go to countryside projects. In 1986-87 it was able to help almost 30 per cent of the 204 applicants to it for assistance.

Community work scheme for jobless criticised

BY JOHN GAPPER

THE PROSPECT of the unemployed having to undertake community work *in return for* welfare payments was condemned yesterday as a "nightmare of the distant past" by Mr Ron Todd, general secretary of the Transport and General Workers' Union.

Mr Todd said Britain was only a step away from introducing a system of unemployment benefit similar to the US Workfare programme and called for joint *action* by local authorities and trade unions to stop the move.

He said the change in the title of the Manpower Services Commission to the Training Commission was irrelevant compared with the change in its composition, which he described as "gerrymandering."

Post Office challenged by TNT overnight service

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE POST OFFICE, still smarting from bitter criticism from the Mail Users' Association, yesterday faced a fresh onslaught from the express delivery division of the world's largest transport company.

TNT Express, a subsidiary of Australian-based Thomas Nationwide Transport, announced an overnight postal service aimed at the business market served by the Post Office's Datapost subsidiary.

The announcement comes just days after the association claimed that the Post Office delivers as little as 43 per cent of first class mail on the day after posting, compared with an advertised rate of 87.9 per cent.

It also coincides with a ballot on industrial action by the Union of Communications Workers, which is claiming a three-hour cut in the working week.

In addition, TNT made clear that the launch was only the first shot in a campaign to challenge the Post Office monopoly of non-express mail, entrenched in legislation.

The announcement set off claim and counter-claim by the two sides over the merit and cost of their respective systems.

TNT claimed it would have a post box on every street corner in 10 years, which is illegal under existing legislation.

Mr Chris Atkinson, general manager of TNT's overnight delivery division, said he was "going for the Post Office jugular" and accused the Royal Mail of being "behind the times."

He said it was offering "inadequate service levels that are totally unable to keep pace with today's rapidly expanding business world."

Mr Ken McCall, general manager of TNT Express, said the Post Office was "a first class failure," and claimed its success rates would put a private company out of business.

The Post Office, which says the Mail Users' Association survey was inaccurate, responded by questioning the independence of market research carried out by TNT and claiming its service contained "hidden surcharges."

The verbal fencing almost obscured the product being launched by TNT, to be called Supamail, offering collection with delivery before noon of the next day (Monday to Friday) for a basic fee of £3.

TNT will offer proof of delivery on request, through its computer tracking system but there are charges for a number of optional extras: insurance cover costs £7, for example, and delivery by 10.30am £1.

TNT will use vehicles operated by its successful express parcels division and some of the 72 Quiet Trader 146 cargo aircraft it is buying from British Aerospace.

The Post Office said TNT's criticism of its first class post was irrelevant since Supamail would be competing with Datapost, which has offered guaranteed overnight delivery for two years.

Datapost costs £11.40, but guarantees delivery by 10am and includes insurance and a provision for consequential loss should a letter go astray.

Mr Michael Maister, director of Royal Mail Parcels Marketing, said research commissioned by the Post Office showed Datapost led the market in overnight mail because it had a reputation for security, reliability and speed.

He said: "The results of this research are obviously pleasing to us because Datapost operates in a market place where a lot of extravagant claims are made by some competing operators."

Yesterday's row reflects the importance of overnight delivery services to companies prepared to pay above normal postal rates for guaranteed delivery of urgent documents.

Mr John Emery, chairman of Emery Worldwide, the US express carrier, said he was considering setting up an overnight service to North America through the company's distribution centre at Manchester airport.

Growth in consumer spending speeds up

By Ralph Atkins

THE PACE of consumer expenditure growth accelerated in the three months to September and pushed the annual rate of increase above 5 per cent, according to official figures published yesterday.

Preliminary estimates by the Central Statistical Office show consumer spending grew by 2½ per cent in the third quarter to £42.9bn. This compares with a 1.7 per cent rise in the previous three months.

CSO statisticians said the figures represent a return to a strong upward trend after relatively slow growth in the first six months of 1987.

Consumer expenditure for the three months to September was nearly 5½ per cent higher than at the same time last year. In the second quarter, it was 4.2 per cent higher than in the same period last year.

The recent upswing was due to increases in most categories of goods and services, but car sales were particularly buoyant.

An acceleration in the pace of growth was expected by most independent economists. However, the strength of the increase surprised some and is likely to add to fears of rising inflation and increases in imported consumer goods.

Poaching trip that typifies City's new competitive spirit

Hugo Dixon on the story of Barclays de Zoete Wedd's raid on Hill Samuel's corporate financiers

POACHING teams of financiers has become a feature of the competitive spirit unleashed on the City by Big Bang.

However, the background to this week's resignation of 12 corporate financiers from Hill Samuel, the merchant bank, to join Barclays de Zoete Wedd, the investment banking arm of Barclays Bank, has raised City eyebrows - not least at the Bank of England.

In the summer, Union Bank of Switzerland, after several weeks of negotiations, decided against making a bid for Hill Samuel. This damaged morale at Hill Samuel, particularly in its corporate finance department, which is regarded as one of the best in the City.

BZW inherited a relatively weak corporate finance team from Barclays Merchant Bank and had been trying to beef it up. It offered to buy the whole Hill Samuel team.

Negotiations operated on two levels - officially with the knowledge of Hill Samuel's board and unofficially. When the unofficial negotiations were uncovered, Mr Trevor Swete, head of Hill Samuel's corporate finance department, and Mr Christopher Roshier, his deputy, were dismissed. They have joined Drexel Burnham Lambert, the US securities house.

Even after this, it seemed likely BZW would buy the department, as part of a carve-up in which TSB, the banking group, took the rest.

In the end, according to Mr John Padovan, who has overall responsibility for BZW's corporate finance activities, there were "major disagreements as to the structure of a potential deal" and TSB was left bidding for the whole of Hill Samuel.

With this week's defections, BZW has got for nothing part of what it had been prepared to pay for. The new recruits will be a substantial boost to BZW. They increase its numbers by about a third, broaden its skills and represent, says Mr Padovan, a "quantum leap." He says he has no intention of hiring more people from Hill Samuel.

Mr Padovan also stresses that BZW will be encouraging its new recruits to keep to their service agreements with the merchant bank. "We will not be doing anything which we regard as in any way unethical to another firm's client base."

Regional aid policy to be reviewed

BY HAZEL DUFFY

REGIONAL aid needs to be more selectively aimed at businesses which have good long-term prospects of survival and not those which are only there because of subsidies, Mr Kenneth Clarke, Industry minister, said in Newcastle upon Tyne yesterday.

The Department of Trade and Industry will be looking to make changes in regional policy to ensure that it is more appropriate to the specific needs of particular areas. The exercise, to be conducted by Mr Clarke, will be in line with the objectives outlined for the DTI by Lord Young, DTI Secretary, last week.

The priority areas for examination are:

- More selective use of public money.
- Continued emphasis on inward investment.
- Attention to the quality and performance of industry in the regions.
- Quicker transfer of technology from the research to the business world.
- An urgent look at the relationship between schools, further education institutions, and industry and commerce.

Christopher Castleman: "proven track record in management"

Blue Arrow appoints Castleman as chief

By Clay Harris

BLUE ARROW, the world's largest employment agency since its $1.3bn (£790m) takeover of US-based Manpower, yesterday appointed Mr Christopher Castleman as chief executive and managing director.

Mr Castleman resigned as chief executive of Hill Samuel, the merchant banking group, in July when it entered talks - later aborted - about a possible takeover by Union Bank of Switzerland.

He will manage Blue Arrow's day-to-day operations, while Mr Tony Berry, who remains executive chairman, will concentrate on developing group strategy. Announcing the "extremely important strategic appointment," Mr Berry said: "We have been growing fast and the time has come to introduce additional heavyweight management resources to build the business further."

Part of Mr Castleman's salary will be linked to growth in Blue Arrow's earnings per share. As a result, Mr Berry said, Mr Castleman should be able to improve on his Hill Samuel pay which, at £304,000, made him the highest paid director in the year to March. He will also be granted share options.

Mr Berry said Mr Castleman had "a proven track record of successfully managing a 'people' business, in many ways similar to our own."

Blue Arrow had won Mr Castleman's services in the face of fierce competition, Mr Berry said. Mr Castleman had received nearly 100 approaches in the wake of his departure from Hill Samuel.

Most of his other suitors were engaged directly in banking and investment banking. Interest was especially strong from US and Continental institutions.

Mr Castleman also received approaches from a number of companies offering non-executive directorships and from institutions offering capital support for future ventures.

Earlier this week, Blue Arrow appointed Mr Norman Tebbit, expected to step down soon as Conservative Party chairman, and Mr Michael Davies, a British Airways director, as non-executive directors.

Scots plant to be world chips centre

By David Thomas

MOTOROLA, the US electronics group, is to base its world centre for making the next generation of high-powered semiconductor memory products at its plant at East Kilbride, Strathclyde, Scotland.

The plant will start making one-megabit chips - semiconductors with four times the power of the present generation of memory chips - in the second half of next year.

The one-megabit, dynamic RAM chip to be made in East Kilbride will be based on the technology of Toshiba of Japan and will represent a big step by Motorola back into the dynamic RAM market, which it abandoned several years ago.

This decision is one of the first fruits of an agreement between Motorola and Toshiba, under which the Japanese company is transferring memory chip technology to Motorola in return for access to its microprocessor technology.

Analysts agree that the one-megabit will steadily replace the present generation 256K chip as the basic building block of the electronics industry.

Mr Barry Waite, vice-president of Motorola's microprocessor and memory business in Europe, said the one-megabit line was one of the factors behind the planned expansion of the East Kilbride workforce from its present 1,700 to nearly 1,900 by the end of the decade.

Welsh railway share offer

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE PICTURESQUE Ffestiniog Railway, which runs from Blaenau Ffestiniog to Portmadoc, Gwynedd, North Wales, is planning a share offering to raise £400,000 to pay its debts and finance maintenance work.

The offer, which will be announced on Monday, is expected to appeal mostly to the volunteers who run the railway, and the tourists who flock to its narrow 23½ inches tracks in summer.

Most of the stock will be in the form of 4 per cent debentures, since the railway's authorised capital is limited by Act of Parliament and only £1,800 remains unissued.

This will be offered in £1 units to investors who purchase debenture stocks, which are available only in multiples of £250. In the event of oversubscription the ordinary shares will be distributed on a first-come-first-served basis.

Potential investors should note that the directors intend to pay no dividends on the ordinary stock, since any profits will be reinvested in the railway.

The main return on the investment, apart from the novelty value, will be lavishly detailed stock certificates similar to those issued by 19th century railway companies.

Investors who buy both debenture and ordinary stock will receive two certificates, together with cheap travel on the railway.

In spite of its long history, the railway is far from hidebound to tradition: two years ago it became the first British railway to computerise its ticketing system.

Scottish businesses more confident about economy

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

SCOTTISH businesses are more confident about economic prospects than at any time in the past four years. For the fourth successive quarter, the Scottish Business Survey reports increasing optimism about the general business climate.

The survey, conducted by the Fraser of Allander Institute of Strathclyde University through leading chambers of commerce, confirms Scotland has fully emerged from the setbacks of 1986, which were mainly caused by the oil price decline but spread throughout the economy.

The latest survey, carried out in the four weeks to October 9, is the most sanguine since this survey began in 1984. All major economic sectors are upbeat about both their prospects and current business trends.

Retailing, construction and wholesale distribution were the sectors in which businessmen had the most favourable outlook, but manufacturers were also positive.

Companies said they were experiencing higher demand for their products and services, with actual and expected orders growing rapidly. However, the most buoyant markets were those outside Scotland, particularly in the rest of the UK.

Optimism was particularly marked in Aberdeen, the area worst hit by the oil price fall.

The survey's editor, Mr Stephen Boyle, said the optimistic predictions of recent surveys of Scottish business opinion appeared to have been well founded. The institute has tended to temper the optimism the survey's respondents reported to it.

Unemployment in Scotland has been falling without interruption only since June. In September, it still stood at 12.9 per cent on a seasonally adjusted basis, compared with a national average of 10 per cent.

The institute warns that although the outlook for employment is favourable, it is unlikely jobs will grow as fast as output.

Cowboys cash in on the panic after the storm

Andrew Taylor *on materials shortages which have left home owners vulnerable*

COWBOY BUILDERS are quoting up to four times normal rates for repair work as southern and eastern England tries to recover from storms which have left millions of pounds of damage.

A builder in Croydon, south London, was reported to be asking £200 to replace two ridge tiles. Another wanted £500 to replace 15 ridge tiles.

Sales at builders merchants for items such as roof tiles and fencing are running at many times usual rates.

Building material producers are bringing stock from other parts of the country in an attempt to keep supplies flowing to storm-damaged areas.

Marley, one of Britain's biggest building materials and tile producers, is transporting about 100,000 roof tiles a day from Cheshire, Berkshire, Dorset, Staffordshire and Scotland to supplement production at its factory at Sevenoaks, Kent. The county is one of those worst hit by last Friday's hurricane force winds.

Stihl, the West German group which claims to be the world's largest maker of chainsaws, is air-freighting them from plants overseas to boost supplies at its Woking, Surrey, headquarters.

Mr Richard Jewson, managing director of Meyer International, the builders merchants which is Britain's largest timber distributor, said manufacturers were doing their best to ensure that materials and tools were getting through, but some specialist roofing products were in short supply.

"I live in Norfolk, where there is a regional preference for clay pantiles, which were already in short supply, with 14- week delivery delays being quoted, before the recent storms struck," said Mr Jewson.

The extent of material shortages varies. In Herne Hill in south London at least one small builder earlier this week was telling potential customers he was unable to do any work for them unless they could supply the tiles.

The same builder said he could not complete jobs for 10 people because a long extension ladder had been stolen from his van. Demand was such that he had been unable to find a replacement at any builders merchants or tool hire centre in the area.

Builders merchants and DIY specialists can expect another hectic weekend as people try to catch up with the backlog of work on Saturday. Sales of building materials look set to continue to boom in the south and east for some weeks provided supplies remain available.

The shortage of skilled labour is a much bigger problem. The construction market in the south-east, particularly in central London, was already booming before the storms struck.

Roofing specialists, like most other parts of the construction industry, rely heavily on subcontract labour. Companies have found it difficult to keep their workforces together with labourers able to earn more money by doing repair jobs for deperate householders. Costs to housebuilders could rise further as contractors compete for labour.

Mr Graham Bateman, managing director of Roberts & Burling, one of the largest roofing contractors in south east England, says cowboy builders are taking advantage of householders by charging large amounts with no guarantee that work has been done properly and safely.

"We advise people not to use any contractor which is not a member of of the National Federation of Roofing Contractors. They may be desperate but they could end up with even more trouble than they are in now," says Mr Bateman.

According to builders it could be months before some non-priority jobs can be considered. Roberts & Burling, which was already working flat out to complete work for housebuilders, said that before the storms it was quoting up to eight weeks delay for major repairs

"I just cannot begin to think what kind of delays we will be quoting now for major repairs. I don't think people even now fully appreciate the extent of the devastation and damage," said Mr Bateman.

BA poll claims public supports BCal merger

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS believes public opinion is strongly in favour of its proposed merger with British Caledonian Airways, in spite of hostility towards the plan by several independent airlines.

This belief is based on the results of a private survey conducted for the airline by National Opinion Polls, which showed that of the 1,530 people sampled, 48 per cent supported the merger, 26 per cent were against and the other 36 per cent were "don't knows."

The size and demographic spread of the sample used by NOP was the same used by the organisation in the June general election.

BA regards this as a "positive response" to its merger plans, and believes the Monopolies and Mergers Commission is likely to recommend the merger to the Government in its report, expected on or before November 6.

The airline argues that although some independents are hostile to the merger, some other airlines are in favour, while it has already won support for the merger from its own staff and shareholders, the Trades Union Congress and its own trades unions, the airport authorities, the British Tourist Authority, travel agents' organisations and independent tour operators.

BA has already told the Monopolies Commission in its written and oral submissions that the merger is not only desirable but also essential, to meet the growing competition from the US "mega-carriers"

Carriers cannot claim for brandy loss

TRANSCONTAINER EXPRESS LTD v CUSTODIAN SECURITY LTD
Court of Appeal (Lord Justice Slade, Lord Justice Balcombe and Lord Justice Woolf): October 19 1987

NEW ARGUMENT will not be heard on an appeal if, had it been heard in the court below, additional evidence would have been adduced to support it. Accordingly, where the lower court rightly decides that a person without possessory title to stolen goods cannot claim in negligence against their custodian, he cannot appeal on the basis that "possessory title" includes immediate right to possession if, in the court below, no evidence was called to show that he had a right to immediate possession.

The Court of Appeal so held when dismissing an appeal by Transcontainer Express Ltd from Mr Justice Boreham's decision that it could not claim against Custodian Security Ltd for damages arising out of the theft of 400 cases of brandy.

LORD JUSTICE SLADE said that in May 1982 a company called Duty Free Distributors bought 400 cases of brandy in France.

Transcontainer, an international haulage contractor, agreed to carry the goods to Feltham, Middlesex. It subcontracted the leg from Dover to Crossland Haulage.

Crossland collected the load on June 11. It could not take it straight to Feltham because the warehouse was unable to receive it, so it took it to East India Dock, where Custodian provided a 24 hour security service.

The trailer was left in the security park under the security officer's surveillance. It was stolen. Three days later it was recovered, without the brandy.

Transcontainer was liable to Duty Free Distributors for £5,620, the value of the brandy. It was also liable to the Customs and Excise for £49,458 duty. Having paid those sums it brought proceedings in tort to recover them from Custodian.

It pleaded that Custodian was "sub-bailee for reward", and owed Transcontainer a duty to take all reasonable care of the brandy while it was stored in the dock.

Mr Justice Boreham concluded that Custodian had failed to take reasonable care of the brandy, and that such failure resulted in loss of the goods. There was no challenge to that finding.

However, the judge dismissed Transcontainer's claim on the ground that it was not a bailee, Custodian was not a sub-bailee, and Custodian owed no duty of care to Transcontainer, because such duty extended only to those with possessory or proprietory interest, and Transcontainer had no such interest.

Transcontainer appealed.

Before the House of Lords decision in *Leigh & Sillavan [1986] 1 AC 785* there was room for argument that in certain circumstances a plaintiff might have a cause of action in negligence for loss caused by loss of property, even though he had neither legal ownership nor possessory title.

In *Leigh & Sillavan* Lord Brandon said "to enable a person to claim in negligence for loss caused...by...damage to property, he must have had...legal ownership...or possessory title..."

Transcontainer never had legal ownership of the brandy. To establish good cause of action in negligence it must show possessory title as at the date of the theft.

Its difficulty was that it never had physical control of the goods.

In the court below Transcontainer sought to meet that difficulty by presenting its case on the basis that it was bailee of the goods, and that it necessarily followed from that that it had possession.

In the absence of evidence that Transcontainer employed Crossland as anything other than sub-contractor, the judge was indisputably right to hold that it had not proved possession of the goods at the time of the theft.

On the appeal Mr Aikens for Trancontainer, who did not appear below, sought to present arguments on new lines - that at the time of the theft Transcontainer had the *immediate right to possession* of the brandy; and that immediate right gave it a possessory title within the meaning of *Leigh & Sillavan* sufficient to entitle it to sue Custodian.

Mr Michael Harvey for Custodian, who also did not appear below, strongly objected to the right to possession point being taken on the appeal. He submitted it was not open to Transcontainer.

Before the court could allow the new point to be raised in face of opposition from Custodian, it had to be satisfied it had all the relevant evidence before it - in other words, that if the point had been raised in the court below, no additional evidence could have been adduced which could have prevented the new point from succeeding (see *The Tasmania (1890) 15 AC 223, 225*).

After hearing the arguments on both sides, the court was by no means satisfied as to those matters. If the new point had been raised at the trial Custodian might well have sought to adduce new evidence as to the contractual arrangements between Transcontinental and Crossland.

Those contractual arrangements were not investigated at the trial. However, they were relevant to the issue as to whether Transcontainer had the right to possession.

The present court was not convinced that evidence as to the contractual arrangements might not have shown that at the time of the theft Transcontainer did not have the immediate right to possession.

It was far from satisfied that if the possession point had been opened and argued at the trial, evidence as to the terms of the particular contractual arrangements between Transcontainer and Crossland, material to the issue, would not or might not have been adduced by Custodian.

In those circumstances, following the *Tasmanian* principle, it would not be right to permit Transcontainer to take the new point on the present appeal.

That conclusion meant that Transcontainer's appeal must inevitably fail. It did not have possession of the brandy at the time of the theft. It could not therefore establish the possessory title which, in accordance with *Leigh & Sillivan*, it had to establish if it was to be entitled to sue Custodian.

That made it unnecessary to decide a point on which Mr Harvey laid much stress. He had submitted that mere right to immediate possession, as opposed to actual possession, did not qualify as "possessory title" within the *Leigh & Sillavan* principle.

Whether a person had a possessory title must always depend on the particular facts. There was not sufficient evidence to decide the question in the present case.

However, the court was not persuaded that Mr Harvey's general proposition was correct, for two reasons:

1) *Leigh & Sillavan* expressed the view that *The Wear Breeze [1969] 1 QB 219* was good law. There it was stated that a negligence action for loss of goods could not succeed unless the plaintiff was owner of the goods or "the person entitled to possession." It did not say "the person in possession."

2) The consequences of Mr Harvey's proposition, if correct, would be that even if the contractual arrangements between Transcontainer and Crossland gave Transcontainer the right to take possession, Transcontainer would have been left without any remedy against Custodian in negligence though proved.

The appeal was dismissed.

For Transcontainer: Richard Aikens QC and Peter Brunner (Clyde & Co)

For Custodian: Michael Harvey QC and Jonathan Harvie (Crossman Block & Keith)

By Rachel Davies
Barrister

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Trident deal runs into even deeper water

David Buchan reports on the background to the latest argument over Britain's nuclear defence

WHEN IT was agreed in 1982 that the US would service as well as supply Britain's Trident missiles out of a joint missile pool for the two countries, some wag is reported to have stuck a Hertz rent-a-car sticker on the door of the UK Trident programme office in Bath.

The Ministry of Defence yesterday denied, formally and stoutly, that its Trident deal was "rent-a-rocket", and insisted it was a joint purchase and servicing accord with the US.

Yet such is the nature of the 1982 accord, disclosed for the first time to a group of defence correspondents visiting the Clydeside submarine bases of Faslane and Coulport this week, that there remains considerable ambiguity about it within the MoD itself.

The ambiguity concerns not the submarine hulls nor the missile warheads, which will be British-made, but the missile rockets and complex guidance systems to be made by Lockheed of the US.

With the present Polaris missile system, also made by Lockheed, Britain has the facilities at the Coulport nuclear armaments depot not only to load, unload and store the missiles, but also to test, assemble and service the missile rockets' propulsion and electronics.

Coulport currently builds 35 Polaris missiles a year as part of a programme to replace all 16 missiles in each of four Polaris submarines and to provide spares. Since the US stopped making Polaris in favour of Poseidon, Coulport has been the only Polaris missile processing centre in the world.

In order to save an estimated £767m, the Government decided to dispense with testing, servicing and most assembly facilities for Trident and to carry out these functions at King's Bay, Georgia.

Thus, the UK Trident-class submarines, when in service in the mid-1990s, will go to King's Bay to pick up their load of 16 missiles, and return there to unload them when the missiles need servicing or the sumbmarines need refitting.

What is clear from officers and officials at Faslane and Coulport is that instead of the UK having its own stock of missiles and spares and its own handling standards, as with Polaris, it will be drawing from the same "mingled pool" of missiles as the US. It has therefore had to commit itself to matching exactly US standards of missile handling because stripped down, serviced and re-assembled missiles at King's Bay may switch back and forth between the US and UK Trident fleets.

Mr Michael Mates, chairman of the Commons defence committee, yesterday likened it to buying, and thus owning, a Calor gas cylinder. "When it runs out you take it back. Instead of waiting while they fill it up, they give you a new one."

However, the loss of an independent missile servicing capability and the new absolute requirement to adhere to US missile handling standards has created a politically sensitive image, even in the minds of some MoD officials, that the new UK nuclear deterrent will be somehow rented or leased from the US and that the move from Polaris to Trident will diminish that deterrent's independence.

The UK will save financially by not having to build a special Trident missile servicing plant nor to keep spares at Coulport. However, it could one day pay a price if the US were to terminate Trident before the UK, as happened with Polaris.

Coulport could not immediately take over as the world's only Trident missile centre, though it would probably not have to because of the planned seven years between submarine and missile refits and servicing.

In any event, the coming of Trident to Clydeside has already turned Faslane and Coulport into Britain's biggest building site until Channel Tunnel construction starts.

Costing £550m in all, it involves building a giant covered ship-lift capable of hoisting the 16,000 tonne Trident submarines, being built by VSEL at Barrow, out of the water for any immediate repairs at Faslane. Floating cranes from Colombia, the US and the Netherlands are now driving foundation piles into the seabed of the Gareloch for the lift.

It also involves a 900-acre expansion of Coulport to provide two new magazines for Trident warheads, a large covered floating shed for submarines to unload and reload their missiles in an emergency, and 16 bunkers built into mountain rock to give temporary shelter to one Trident missile each. A £28m contract for the new jetty access road was this week awarded to Tarmac.

Getting Trident submarines out of the relatively narrow Gareloch and Loch Long, on which Faslane and Coulport sit respectively, into the Clyde basin, and then into the open sea undetected will pose captains new problems. The Trident is twice the size of a Polaris submarine and the Soviet Union usually has an intelligence-gathering trawler, and sometimes submarines, off Malin Head.

The current Polaris crews, who claim they have never knowingly been detected by the Soviets on any of their patrols, seem confident that the greater quietness of the Trident will compensate for its size in operation. While Trident may be quieter in operation than Polaris, its introduction is stirring considerable political noise.

Volvo to lift output at Irvine by up to 25%

By Kenneth Gooding, Motor Industry Correspondent

VOLVO'S UK truck and bus subsidiary will boost output at its Irvine, Ayrshire, factory by nearly one quarter this year, from 2,096 vehicles in 1986 to 2,600.

The company expects to deliver 6,200 trucks to dealers, a 21 per cent improvement on the 5,100 of 1986.

Next year, the factory, already one of the largest heavy truck producers in the UK, will build about 2,900 vehicles, according to Mr Bernt Brandtzaeg, managing director of Volvo Trucks (Great Britain).

He said that the company was benefiting from its near-£1m investment at Irvine to reorganise operations and increase capacity. The truck assembly line is currently producing at a rate of 2,800 vehicles a year, well above its nominal capacity of 2,000.

The first Volvo truck was sold in Britain 21 years ago. Mr Brandtzaeg said that by the end of this year there would be 40,000 on British roads, making Britain the company's biggest world market for spare parts and service requirements.

Mr Brandtzaeg was introducing further changes to the Volvo truck range in the UK. These include a new "flagship", high-powered, heavyweight truck - the F16 Intercooler 470 - and "families" of engines and gearboxes for other Volvo heavy trucks.

Honda launch heralds prestige car competition

BY JOHN GRIFFITHS

HONDA launched a £24,000 coupe at London's Motorfair yesterday, signalling the arrival in the UK of head-on competition between Japanese manufacturers and European prestige car makers such as Mercedes, BMW and Jaguar.

The Legend coupe is nearly £10,000 more expensive than any previous Honda model.

It was displayed just a few yards from the stands of Toyota, Japan's largest vehicle maker which for the first time was also showing a £20,000-plus model, the Celica GT-Four, and Nissan, showing the latest version of the 300 ZX coupe which also is being sold for more than £20,000.

The Japanese manufacturers' drive up market was also underlined in a speech by Mr Peter Beaumont, managing director of the Colt Car Company, which imports Mitsubishi vehicles.

Colt was also launching a car at the show. Mr Beaumont said the car, the Galant Sapporo, was the first in a spate of models aimed at markets currently dominated by the German manufacturers such as Audi, BMW and Mercedes Benz.

He said sales of Mitsubishi's luxury four-wheel-drive vehicle, the Shogun, had also closed to within 1,000 units of Rover Group's Range Rover so far this year and exemplified Colt's reducing dependence on the cheaper end of the UK market.

Declaring that the franchise had become "increasingly profitable" for its 140 dealers, Mr Beaumont said the company was making a conscious move towards selling the more expensive and more profitable Mitsubishi cars. In 1986, 54 per cent of Colt's car sales was of smaller models.

This year, the position had been reversed, with the Shogun, Galant executive saloon, Space Wagon "people carrier" and Starion sports coupe accounting for 54 per cent of total sales.

Honda is planning to sell only 400 of the Legend coupes in the UK, according to Mr Trevor Elliott, divisional manager of Honda (UK). The car is a development of the Rover 800/Legend executive saloon developed jointly with the UK's Rover Group, but the collaboration did not extend to coupe derivatives.

Rover is expected to launch its own coupe based on the Rover 800 in 1990.

The Honda model, and the other £20,000-plus Japanese cars shown at Motorfair were acknowledged, however, to be just the precursors of a new generation of luxury and sporting cars aimed at the most expensive machines produced by Western prestige car makers.

Initially, the main target will be North America, where Toyota and Nissan are joining Honda in setting up separate distribution networks for such cars.

Chase Manhattan to pay $17m to Colombia in settled case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

CHASE MANHATTAN Bank has agreed to pay $17m (£10.3m) to Colombia in settlement of a High Court action over the disappearance of $13.5m of Colombian funds.

In May 1983 the London branch of Chase transferred the $13.5m, on the strength of forged and fraudulent telex instructions, to Morgan Guaranty Trust Company of New York. From there the money was transferred to Bank Hapoalim (Switzerland) in Zurich, after which it disappeared.

Nine people - including a Colombian banker and an American executive - were subsequently convicted in Colombia of fraud and the theft of the money. None was connected with Chase Manhattan, any Colombian state body or any of the other banks involved in the action.

Colombia sued Chase, claiming a declaration that it was entitled to have the $13.5m recredited to its account by Chase. The court hearing, which began on Tuesday last week, had been expected to last up to 10 weeks.

Yesterday Lord Irvine, QC, for Colombia, told Mr Justice Gatehouse that the action had been settled. Chase had agreed to pay $17m plus interest, and had withdrawn fraud allegations against Colombia, its Ministry of Finance, Banco de la Republica (a Colombian bank), Empresa Nacional de Telecomunicaciones and several individuals.

Chase had alleged complicity in the fraud by, among others, Dr Edgar Gutierrez Castro, a former Colombian finance minister, Dr Lucila Castro de Macay, former director general of the finance ministry's department of public credit, and Dr Diego Dominguez Cortes, head of the department's economic studies section.

Third party indemnity proceedings by Chase against Morgan Guaranty and Bank Hapoalim were withdrawn as part of the settlement.

When the hearing opened last week, Lord Irvine said Chase had transferred the $13.5m - part of a $47.2m loan made to Colombia by Chase the previous year - on the strength of untested and unverified telexes purporting to come from the republic.

Lord Irvine alleged that Chase's banking practices had fallen beneath the standards recognised by other international banks operating in London.

Chase had contested the claim and denied the Colombians' allegations.

After yesterday's court hearing, Chase said the litigation had been "favourably resolved." Morgan Guaranty and Bank Hapoalim would be contributing to the $17m payment by Chase.

Only $225,000 of the $13.5m has been recovered, from an account in Bank Hapoalim. The balance was traced from Zurich to Panama to Miami, then back to Panama, where the trail went cold.

The alleged mastermind behind the fraud was Roberto Soto Prieto, a Colombian banker and the representative in Bogata of Berliner Handels-Und Frankfurter Bank. He left Colombia after a warrant was issued for his arrest and was convicted in absentia of fraud and theft and sentenced to seven years in jail.

He is now in Austria, from where Colombia is trying to have him extradited.

Also sentenced to seven years in his absence was Robert Henry Russell, a US executive into whose account at Bank Hapoalim the $13.6m was transferred. The Colombian Government is seeking his extradition from the US.

The other seven involved were all Colombians. Two were computer technicians. All were sentenced to jail terms of five years and eight months.

UK NEWS - PARLIAMENT AND POLITICS

Tories back PM on attitude to apartheid issue

BY IVOR OWEN

CONSERVATIVE backbenchers rallied to the support of Mrs Margaret Thatcher, the Prime Minister, in the Commons yesterday when she was told by Mr Neil Kinnock, the Labour leader, that white politicians in South Africa see her as "an ally of apartheid".

She vigorously defended her stand against calls for the imposition of tougher sanctions at last week's meeting of Commonwealth heads of government in Vancouver.

Mrs Thatcher maintained that such a development would result in many more black South Africans, as well as many itinerants from neighbouring states, being "out of work, deprived and starving".

She revealed that her refusal to move into line with other Commonwealth leaders on the sanctions issue had brought a message of approval, via Britain's ambassador in South Africa, from one of that country's leading opponents of apartheid, the Liberal politician, Mrs Helen Suzman.

To government cheers, Mrs Thatcher reaffirmed her detestation of apartheid but insisted that to assert that holding such a view automatically established a link with support for sanctions was "totally false".

When such leading opponents of apartheid as Mrs Suzman and Chief Buthelezi contended that sanctions and other punitive measures such as disinvestment were not only ineffective but actually counter-productive, their views should be taken into account.

Mr Kinnock seized on the Prime Minister's statement in Vancouver that Britain would have no more contacts with leaders of the African National Congress until it renounced violence as a "change of policy", and she was reminded by Mr Michael Foot, the former Labour leader, that Mrs Lynda Chalker, the Foreign Office Minister of State, had met the ANC leader, Mr Oliver Tambo.

Mrs Thatcher avoided any direct reference to Mrs Chalker and insisted - to derisive laughter from the Opposition benches - that when Sir Geoffrey Howe, the Foreign Secretary, saw Mr Tambo he did so in his capacity as president of the EC's council of foreign ministers.

Michael Pinto-Duschinsky assesses the 1987 election campaign financial accounts

Last-minute charge by the head office big spenders

THE FIERCENESS of the struggle between Conservatives and Labour in the general election emerges from the financial accounts of the party headquarters.

According to preliminary estimates, Labour head office spent £4.2m, double the amount of 1983. The campaign was the most expensive, in real terms, in Labour's history. If spending at regional levels is included (as in the Conservative central account) Labour's total comes to about £4.5m. Conservative Central Office, which spent under £4m in 1983, increased its budget to over £9m in the 1987 campaign, more in real terms than in any election since 1964.

The fact that Conservative Central Office so easily outspent Labour in May-June 1987 largely reflected a greater determination to concentrate resources on the campaign (as opposed to the routine maintenance of the headquarters in the years between elections).

The Conservatives also decided in the week before polling to risk a serious deficit by mounting an intensive last-minute campaign of press advertising to combat Labour's improved standing in the opinion polls. The Conservatives commissioned three pages of advertising in most national newspapers each day then. Some £3m was spent in the last four days. The task of finding the money to cover this expenditure is reported to be continuing.

Following the 1983 election, Conservative headquarters experienced considerable financial problems. Its income in 1984-86 was hardly greater than Labour's (a total of £9.2m compared with Labour head office's [illegible]).

In these two years, Conservative income fell short of expenditure by £1.8m and the accumulated deficit since 1978-79 rose to £5.3m. However, as the election approached, Conservative income was boosted and a high-spending campaign was planned. Over the four-year electoral cycle since 1983, Central Office's routine and campaign spending totalled about £35m compared with Labour head office's total of £25m.

The 1987 campaign highlighted a new trend, started in 1983, in the timing of campaign expenditure. In the past - notably in 1963-64 - a high proportion of the political budget was devoted to advertising in the months, and even years, preceding the announcement of the election date. This was partly because of fears (shown in 1974 to be unfounded) that national press advertising during the campaign would violate the statutory spending limits for parliamentary candidates.

Since 1983 both parties have concentrated almost all their press advertising into the three weeks before polling day. Labour spent £2.2m on advertising and posters, and commissioned 130 pages of newspaper advertising. The Conservatives' budget for press advertisements, posters and leaflets (handled by the party's advertising agency, Saatchi & Saatchi) amounted to £6.4m.

CONSERVATIVE AND LABOUR CENTRAL ELECTION SPENDING
In £000s

		Conservative 1983	Conservative 1987	Labour 1983	Labour 1987
Grants to constituencies		62	137	305	388
Advertising:	Posters	843	1834(a)	na	313
	Press	1725	4523	na	1862
	Total	2568	6357	878	2175
Party election broadcasts		306	366	182	143
Opinion research		96	219	145	148
Publications		212	714	140	269
Leaders' tours and meetings		52	417	58	233
Staff, administration etc		262	818	319	838
Overall totals		3588	9028	2057	4194

a: including leaflets

Average price rise from June 1983 to June 1987 of 20 per cent. Statistics are preliminary estimates and may not be wholly comparable. Conservative figures include regional level spending.

The impact of the Conservatives' financial superiority was lessened by two factors. First, at a constituency level, all candidates were subject to a legal limit of £5,000-£8,000. Spending by candidates of all parties was probably close to this limit in their winnable seats. Complete statistics of local spending are not yet available. Assuming this was the same in real terms as in 1983, Conservative candidates probably spent about £2.5m, Labour £2.2m and Alliance £1.9m.

Second, the parties were barred from paying for advertising on television (the most costly political spending in countries such as the US). Instead, they all received a free and equal allocation of television time worth an estimated £5m each at commercial rates.

Last June was the first general election in which the Alliance received the same number of broadcasting slots as Conservatives and Labour (in 1983 the ratio was 5:5:4).

Nevertheless, the Alliance was unable to take advantage of this opportunity. Its funding was somewhat chaotic with separate SDP, Liberal and Alliance funds as well as additional special funds. The SDP's central budget was £1m and included £0.6m as grants for candidates. Overall, central Alliance spending was £1.75m-£2m, the same as in 1983.

Where did the money come from? The SDP, Conservative and Labour parties all had schemes for US-style direct mail fund-raising. Only for the SDP did this prove an important source, raising £700,000 net, the same as the Conservatives. Labour raised £121,000 from direct mail in 1986 and an additional £227,000 during the campaign.

For Labour head office, the unions remained the predominant source of funds. Despite the fall in membership of unions with political levy funds from 8.1m in 1979 to 5.7m by 1985, the levy fund remained in a healthy state because of a rise in income from an average 58p per member in 1979 to £1.75 in 1986. The total income of the political levy in 1987 has been about £11m with reserves of £13m at the beginning of the year.

Union contributions to the Labour head office general election fund were over 50 per cent higher in real terms than in 1983. There was also a sharp rise in routine union affiliation payments to Labour headquarters. In 1987, the Transport Workers gave £2.2m to Labour centrally and more at regional and local level.

It is too early to have information about the main company donations. The most recently available reports are for 1986, when company contributions were certainly lower than this year. According to a Labour study of more than 1,500 company accounts for 1986, contributions to the Conservative Party and allied fund-raising organisations by the companies reviewed totalled £2.1m. This omits donations by smaller companies.

The largest recorded contributions were £91,500 by British and Commonwealth Shipping and £75,500 by United Biscuits. There were seven contributions to the SDP (including £10,000 from Coates Viyella), 11 to the Alliance and one to the Liberals.

Surprisingly, this suggests that a relatively small total of money was contributed by companies to the Conservatives. As Central Office officials point out, the Conservatives are tending to rely on individual donors. Cheques from individual partners or directors of firms of stockbrokers, lawyers or bankers are, reportedly, frequent. As much as 15 per cent of routine Central Office income may come from legacies.

This article is based on a paper which Michael Pinto-Duschinsky of Brunel University is giving this weekend to a conference at Essex University on political communications in the 1987 campaign.

Howe denies Trident 'lease' arrangement

BY TOM LYNCH

SIR GEOFFREY HOWE, the Foreign Secretary, yesterday strongly denied press reports that Britain would lease rather than buy missiles from the US for the Trident nuclear weapons system, which is to replace Polaris.

However, Sir Geoffrey refused to rise to challenges from Mr Gerald Kaufman, the shadow Foreign Secretary, to state that the missiles returned by the US after periodic servicing would always be the same missiles originally purchased by the UK. He repeatedly told MPs: "We shall continue to own the same number of missiles at all times."

The reports that Britain planned to lease the missiles rather than buy them, allegedly in an effort to save up to £700m, were raised by Mr Tam Dalyell (Lab, Linlithgow) during a debate on the bill giving diplomatic immunity to foreign nationals who visit the UK under the verification procedures of future arms control agreements.

Sir Geoffrey told Mr Dalyell the reports were "of less substance" than rumours. "The idea that we will not own the Trident missiles is absolute nonsense."

Challenged by Mr Denzil Davies, the shadow Defence Secretary, about whether the same missiles would be returned by the Americans after routine servicing, Sir Geoffrey told MPs that the missiles would be stripped down in the US "but the same missiles will be coming back with this part or that part replaced."

If the replacement of components "goes so far as to replace an entire missile, what's wrong with that?"

His explanation did not satisfy Mr Kaufman, who described the arrangements as "an expensive subscription by the British taxpayer to a missile library owned by the US."

He made clear that the Opposition would believe in the truth of the "Moss Bros missiles" deal unless Sir Geoffrey was prepared to state categorically that Britain would own the same missiles at all times, not just the same number. He accused the Government of concealing from parliament and the people the fact that the £9.25bn investment in Trident "will never buy us a missile we can call our own."

Mr Kaufman said missiles would not be accepted back for servicing in the US until US officials based in the UK had ruled that they were in a fit state. The arrangements made the UK wholly dependent on the US for its nuclear arsenal - replacement missiles would not be available in the event of the Soviet Union and the US agreeing to eliminate US Trident missiles under any future arms control agreement.

For the Liberals, Mr Alan Beith said: "At any time in this process it is within the capacity of the US Government not to provide the exchanged missiles, and therefore the deterrent is not independent after all."

Sir Geoffrey said the likely agreement on reduction of intermediate-range nuclear forces would be "a significant step towards enhanced security for East and West." However, he said, the Soviet Union continued to hinder the prospects for a strategic arms treaty by "an attempt to impose unacceptable constraints on SDI."

He said progress towards conventional forces reductions was hampered by the refusal of the Warsaw Pact to discuss openly their exact military capabilities. "When will glasnost really apply to military matters?"

Debate over bank policy demanded

By Tom Lynch

LABOUR is to press for a debate in the Lords on government policy on foreign takeovers of UK clearing banks following the sale by the Midland Bank in July of its Clydesdale Bank and Northern Bank subsidiaries to the National Australia Bank.

Lord Williams of Elvel, from the opposition front bench, said he was not satisfied with the explanation given by Lord Beaverbrook, a junior trade and industry minister, of why the takeover had not been referred to the Monopolies and Mergers Commission.

During Question Time, Lord Williams quoted Sir Robin Leigh-Pemberton, the Governor of the Bank of England, as saying that control of the core of the British financial system should not fall into overseas hands. Lord Williams asked: "What is meant by the core? If the Clydesdale Bank is not part of the core, is the Royal Bank of Scotland part of it?"

Lord Beaverbrook said the Governor had been referring to "the very large clearing banks that we have in this country. The takeover of the Clydesdale and Northern Banks could not be described as a very large transfer of assets."

Lord Grimond, the former Liberal leader, said it would surprise many people to be told that the Clydesdale, as a wholly-owned Midland subsidiary, was not part of the core of the banking system.

Lord Williams said he was not satisfied with Lord Beaverbrook's explanation, and would seek a debate under the unstarred question procedure.

Row threatened over ANC affair

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

A MAJOR political row is threatened in the wake of the decision by the Director of Public Prosecutions to drop charges against three men accused of conspiring to kidnap members of the African National Congress in London.

The decision was revealed yesterday morning at Lambeth Magistrates' Court in London after the magistrate had heard arguments in camera as to why the defendants should be allowed to stay in prison. After the case, counsel for two of the men said he feared for the safety of his clients, who admitted having worked for the British Government.

At Westminster, Mr Richard Caborn, (Lab, Sheffield Central), the secretary of the Parliamentary Labour Party anti-apartheid group, claimed there had been a cover-up brought about by pressure from South Africa. During Prime Minister's Question Time, Mrs Thatcher refused to comment on the affair and said it was a matter wholly for the Attorney General.

Mr Caborn later issued a statement saying the decision to withdraw charges had caused grave concern, not least because three present and former members of the Commons had been implicated in the press. He then named Mr David Waddington, the Chief Whip, Sir Edward Gardner and Mr Julian Amery, together with Mr William Marsden, a Foreign Office official.

Mr Roy Hattersley, Labour's home affairs spokesman, said last night that Mrs Thatcher should respond quickly to some very serious allegations.

He suggested the affair could be referred to the Security Commission for investigation and added: "The episode is so extraordinary and the allegations are so extraordinary that the Prime Minister ought to clear them up as soon as possible. It would be wholly wrong to let it sweat on. It will not go away".

After the court hearing, the solicitor for the three men read a statement stressing that they had always denied the charges. He added: "It is a fact that the only reason why matters have gone this far is a lack of communication between the various government agencies. No arrests should ever have been necessary.

"The police have accidentally stumbled across the overtones involved in this case and have handled the matter most indiscreetly"

PM in low key over markets

BY Ivor Owen

RECENT gyrations in the world financialmarkets brought only low-key comments from MrsMargaret Thatcher, the Prime Minister, when shewas questioned about their implications in theCommons yesterday.

She underlined the legal constraints arising from the publication of the prospectus when pressed about the attitude small investors should adopt towards the £7.2bn offer of sharesin BP.

Mr Rodney Morgan (Lab, Cardiff West) suggested that the cancellation of the BP advertising programme meant that the Government now took the view that the small investor should "stay out".

Mrs Thatcher explained that, following thepublication of the prospectus, "there is very little I can say".

She emphasised: "Investors must decide forthemselves whether or not to apply.". Questions about the turmoil in the financialmarkets were initiated by Mr John Taylor (C, Solihull) who suggested that the vast majorityof British shareholders had behaved with "greatsteadiness and maturity".

Mrs Thatcher noted that "the problems" began on Wall Street. Since then there had been "very considerable swings on stock markets all round theworld".

To laughter from the Government benches,Mrs Thatcher contrasted the level of the FT-30share index just before she entered theChamber with the level to which itfell at one stage under a Labour Government.

Parliamentary business

COMMONS

Main debates next week:

MONDAY: Opposition debates on firearms controls and on the Government's education proposals.

TUESDAY and WEDNESDAY: Debate on defence estimates.

THURSDAY: Resumed second reading of Scottish Development Agency Bill.

FRIDAY: Debate on renewable sources of energy.

Commercial aims kept to fore on aid

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE GOVERNMENT yesterday rejected the notion that the commercial objectives of Britain's foreign aid programme should be separated from its other aims, such as promoting development.

In its formal observations on the second report of the Commons foreign affairs committee on bilateral aid, the Government also turned down a proposal by the committee that the Aid and Trade Provision (ATP) should be separated from the main aid programme and separately funded.

The ATP, under which aid is made available to support commercial contracts for projects in developing countries, should continue to be seen as an integral part of Britain's overseas aid effort, the Government said in its comments.

"ATP funds are provided on concessional terms to the recipient government to help finance sound investments within its country. The Government and the recipient see them within the context of the project's contribution to the recipient's economy.

"In each case there must be a reasonable assurance of economic, financial and technical soundness. ATP funds represent a transfer of resources to the country concerned in the same way as other aid funds do. ATP funds are not given to British companies, nor are they intended to subsidise an uncompetitive price

The Government emphasised that, in a number of countries, such as China, India and Indonesia, which were poor but credit-worthy, the ATP was now an integral part of the British aid programme. It would therefore be a retrograde step to separate it from other parts of the programme.

Reaffirming that the basic objective of the aid programme was "the promotion of sustainable economic and social progress and the alleviation of poverty in developing countries," Mr Christopher Patten, the Minister for Overseas Development, stressed at a press conference that this presupposed sound economic policies on the part of the recipient countries.

Britain supported activities which were technically and financially viable and would bring economic benefits. It saw no point in giving aid to countries which were not prepared to pursue the economic adjustment programmes recommended by the International Monetary Fund (IMF) and the World Bank.

However, the Government's observations emphasised that the Overseas Development Administration (ODA) "was working to ensure" that the adjustment process took account of the special needs of poor and vulnerable groups, through the provision of primary education, health care and safe water supply.

Mr Patten also announced an increase of 50 per cent in the Government's aid to voluntary agencies, "provided the voluntary agencies are able to use it effectively." This raises the amount provided by the ODA under the Joint Funding Scheme with voluntary agencies to £9m in the next financial year from £6m in the current year.

Roger Taylor

Broadgate, where the financing raised by the Rosehaugh Stanhope partnershipfor the first seven of 14 phases has reached £759m. The site is near Liverpool Street Station in central London.

The cost of money issue

THE BIG property developers are likely to have been less interested in this week's contortions of the stock market than in any possible movement of the cost of money.

After all, the equity markets are only one method of raising money and the major groups have both the strength and the expertise to go down other funding avenues. But, as Paul Reichmann, one of the three brothers who run Olympia & York, says - against the background of the fall on Wall Street - there is no other industry where the cost of money is so important.

The strong have their own ways of spreading risks and holding to a minimum the cost of funding. That said, the early indications - after the market had dispelled the notion that blue skies were here for ever - were that bank lending is going to be much more cautious, at least in the short term.

In the British market, the role of the banks has become more important. Godfrey Bradman, chairman of Rosehaugh, one of the fastest growing British property companies, observed at last weekend's annual conference of the Royal Institution of Chartered Surveyors (RICS), that the banks held the memory of the 1973-74 property crash. But he noted that their lending was only approaching the 1973-74 level and that they had become more expert at assessing the risks.

Property companies, Mr Bradman added, appreciated the limited risk of borrowing from banks. This points to the Rosehaugh style.

The company undertakes many of its developments in partnerships, so that the risk is immediately spread, even though the reward is diminished as well. These partnerships are structured in such a way that they are off the balance sheet of the company and the partnership company becomes an associate rather than a subsidiary.

The most striking example of this is Rosehaugh Stanhope which, among other projects, is developing Broadgate, a site near Liverpool Street Station in central London, in 14 phases to produce 4m sq ft of offices, the biggest office venture in Europe.

Rosehaugh Stanhope has so far raised bank lending of £759m for Broadgate. Because the funds have been provided on a non-recourse basis, the security is the project itself. Rosehaugh as a company is not exposed. Hence the limited risk.

Such borrowing would tend to be more expensive than a loan secured on the covenant of the company itself. But the Rosehaugh balance sheet would not be able to cope with borrowing on such a scale. Going down the non-recourse route markedly increases its scope for raising money.

After the development is complete, Rosehaugh can sell on its share of the venture to the occupier, an institution or the market through some form of securitisation; or it can hold the development, in which case it will have to put in place long-term finance.

This process is quite different from that of Gerald Hines Interests, the private Houston company, which over the last 30 years in the US has developed 76m sq ft, more than the total major office space in the City of London.

Gerald Hines, who was also at the RICS conference, said that he started with debt but decided that "high equity-low debt would best ride out the cycles." He described the US market as a rollercoaster.

The conservative approach - "which is why I'm still alive" - is facilitated by the strength of the company. His style is to find a partner to put equity into the project, sometimes 100 per cent, and to use this money during the construction period.

He has a following of financial institutions willing to back him. But he will not use debt instruments for a building until it is completed and fully leased.

The closest British parallel to this approach is when a developer finds an institution to pre-fund and then take either all or a large percentage of the ownership of a development once it has been finished. Norwich Union, for example, agreed to take Ropemaker Place, a City of London office development, from London and Metropolitan.

So in both the Rosehaugh and Hines cases, there is no intention to retain more than a share of the completed development. At Olympia & York, however, there is a much stronger emphasis on asset growth.

O&Y is a private Canadian company which has expanded into the US. It is the biggest office property owner in New York and claims to be the world's largest owner and developer of office buildings. Last July it took sole control of Canary Wharf, the London Docklands project which will provide 10m sq ft of office space.

The financing plans for Canary Wharf have not been fully worked out, although Mr Reichmann indicated that O&Y would probably go to the commercial paper market or use sterling or Eurodollar facilities.

But the approach is not likely to break the O&Y mould, which is different from that of less powerful US property companies. Traditionally, US developers are loath to start a project until they have arranged long-term finance to take out - pay back and replace - the construction finance.

"Historically, the pattern has been for us to use our own credit to start a project. We don't do the construction financing until the building is on the way," says Pat Goldstein, who looks after O&Y's short-term finance.

Generally O&Y will use direct loans or letters of credit supporting commercial paper when it raises construction finance. Some funding will be on a non-recourse basis, but the company is so large and has access to so many facilities that it can take the finance on its own books.

It prefers short-term funding on a floating rate so that it has the ability to change the nature of its borrowing, depending on the cost of money. It is not prepared to pay extra for the greater certainty of fixed-rate money. If it borrows at low interest rates, it will hedge its position in the futures market.

Ringing the changes with bank finance

"WE HAVE been financing and re-financing the World Financial Center for five years," says Camille Douglas, who puts together long-term financial packages for Olympia & York.

O&Y's $4bn (£2.4bn) development, which provides 6m sq ft of offices on the south of Manhattan Island in New York, is the nearest in scale to the project it will undertake at Canary Wharf in London Docklands.

Based on four towers, A, B, C and D, the finance has been a mixture of separate funding for the individual towers and backing for the whole development.

Towers A and C were about a third built before a syndicated bank facility for about $750m was put in place to cover the whole development. That was in 1983. Two years later there was a refinancing with each building having its own funding. Tower C was taken out completely by American Express so that it no longer became a financing task for O&Y.

Tower D, which accommodates Merrill Lynch, is now ready for permanent financing and O&Y is expected soon to sign a type of commercial mortgage - 15-year, floating-rate bank financing.

When the group goes to the capital market it tends to deal with Triple A banks whose own cost of raising money is low. They can, therefore, pass on the low cost of their funds to O&Y.

The financing for Tower D follows examination of a number of choices - Euromarket bonds, fixed-rate funds and domestic bonds. At one stage O&Y had filed the prospectus for a domestic bond with the Securities and Exchange Commission, but then withdrew it because of the pricing and because of the disclosure requirements. O&Y is very secretive.

Generally, the group considers it obtains a better deal by arranging its finance directly with the banks. The rates are better than those on the public markets and, says Pat Goldstein, "we can go and speak to any of them if we want to change the financing."

And the changes are continual. "We've done each building at least twice, possible three times," observes Ms Douglas. One reason for the rolling financing is that, as the buildings come out of the ground, their value changes and the degree of security which can be offered to lenders changes. That makes the rates at which O&Y can borrow keener.

Over the years, O&Y has built up a special relationship with Canadian banks - a reflection of its Toronto origins. The Canadian banks follow the US banks as the biggest financial players on the American property market. Other foreign banks, which played little part in the early money-raising for World Financial Center, now have a significant role. These links will be important when the funding starts for Canary Wharf.

International Property

Company Notices

Free State Consolidated Gold Mines Limited

FREEGOLD

Final dividend — No. 65

On Thursday, October 22 1987, final dividend No. 65 was declared as follows:

Amount (South African currency)	155 cents per share
	1987
Last day to register for dividend (and for changes of address or dividend instructions)	Friday, November 6
Registers closed from to (inclusive)	Saturday, November 7 Saturday, November 21
Ex-dividend on Johannesburg and London stock exchanges	Monday, November 9
Currency conversion date for sterling payments to shareholders paid from London	Monday, November 9
Dividend warrants posted	Thursday, December 10
Payment date of dividend	Friday, December 11
Rate of non-resident shareholders' tax	15 per cent

Holders of share warrants to bearer are notified that the dividend is payable on or after Friday, December 11 1987, upon presentation of coupon marked "South Africa" and No.4 on the side reflecting the share warrant number, at the offices of First National Bank of Southern Africa Limited — formerly Barclays National Bank Limited, Stock Exchange Branch, Diagonal Street, Johannesburg, South Africa; Union Bank of Switzerland, Bahnhofstrasse 45 8021 Zurich, Switzerland; Credit du Nord, 6 and 8 Boulevard Haussmann, 75009 Paris, France; and Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels, Belgium, only. Coupons must be left at least four clear days for examination.

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

By order of the board
Anglo American Corporation of South Africa Limited
Secretaries
per: N.B. Stinton, Divisional Secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051
Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Head Office
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)

London Office
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
October 23 1987

AAC

East Rand Gold and Uranium Company Limited

ergo

Interim dividend — No. 18

On Thursday, October 22 1987, interim dividend No. 18 was declared payable to holders of ordinary and S ordinary shares, as follows:

Amount (South African currency)	55 cents per share
	1987
Last day to register for dividend (and for changes of address or dividend instructions)	Friday, November 6
Registers closed from to (inclusive)	Saturday, November 7 Saturday, November 21
Ex-dividend on Johannesburg and London stock exchanges	Monday, November 9
Currency conversion date for sterling payments to shareholders paid from London	Monday, November 9
Dividend warrants posted	Thursday, December 10
Payment date of dividend	Friday, December 11
Rate of non-resident shareholders' tax	15 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

By order of the board
Anglo American Corporation of South Africa Limited
Secretaries
per: H.E. Phillips, Divisional Secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051
Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Head Office
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)

London Office
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
October 23 1987

AAC

BANQUE NATIONALE DE PARIS

USD 250,000,000 floating rate notes due 1997 applicable interest rate for the interest period from 21st October 1987 up to 21st January 1988 as determined by the reference agent is 9⅞ per cent per annum namely USD 2443.75 per bond of USD 100,000.

Legal Notices

No. 004055 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR. JUSTICE GIBSON
In the matter of
BRITISH & COMMONWEALTH HOLDINGS PLC
and
In the matter of
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 12th October 1987 CONFIRMING the REDUCTION of the capital of the above-named Company from £221,000,000 to £214,105,264 and the Minute approved by the Court showing with respect to the share capital of the Company as altered, the several particulars required by the above Act were registered by the Registrar of Companies on the 16th October 1987.

DATED the 19th day of October 1987
Slaughter and May (RLH),
35, Basinghall Street,
London, EC2V 5DB
Solicitors for the said Company

In the High Court of Justice
Chancery Division
No. 003750 of 1987
IN THE MATTER OF
JARVIS PORTER GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated 5th October 1987 confirming the reduction of the Share Premium Account of the above-named Company was registered by the Registrar of Companies on 9th October 1987.

Dated this 21st day of October 1987
CLIFFORD CHANCE,
Blackfriars House,
19 New Bridge Street,
London, EC4V 6BY
Solicitors for the above-named company

R & A PRECISION ENGINEERING LIMITED

John Martin Iredale of Cork Gully, Pheonix House, Station Hill, Reading Berkshire was appointed Administrative Receiver of R & A Precision Engineering Limited

(Registered No 1457790)
By Barclays Bank PLC
On 15th October 1987.

By Alan Cane

Networks

Japan sets an example with automated services

A study provides evidence of the potential currently being exploited

WESTERN FIRMS were not taking seriously enough the issues involved in establishing data-communications systems. Ian Macleod, managing director of Logica Financial Systems, told a Financial Times conference earlier this week.

Competitor nations, notably the Japanese, would not take so sanguine a view, he warned.

Powerful evidence of the accuracy of his analysis comes in a new study showing how Japan is automating its distribution services, making full use of the potential of computer networks.

Written by Alex Stewart, a specialist in Japanese business techniques, it is part of Baring Securities series "Japan Focus."

New course

Stewart argues that Japan is now set on a new course in distribution, retailing and financial services, driven by the opening up of its telecommunications market in 1985 and accelerated by the subsequent strengthening of the yen.

Deregulation of the telecommunications market has led to the development of computer networks carrying value added network services (VANS). In turn, computer networks are transforming the ways the distribution industries in Japan are operating, Stewart says.

He argues that companies with the ability to use computer software to analyse, interpret and respond to data collected on-line about customers and markets would be in the strongest position to compete. He gives as examples trading houses, trucking companies, electrical part distributors, credit card retailers and banks.

He cites Seino Transport, the largest trucking company in Japan. It was operating the largest leased line network in Japan at the time of the VANS liberalisation and it took the opportunity to set up the first VAN operating company in the trucking business, Seino Joho (Information) in cooperation with a number of banks.

Now it has over 150 subscribers and a number of banks are preparing to offer cash management services (electronic treasury management) over the network. Its investment will soon pay off, Stewart concludes, as it expands into international transport services.

Among the other points Stewart makes are:

- VAN operators like Seino will be the new key enterprises able to provide the facilities to connect both different networks and on-line applications.
- Public network standards will be vital to catalyse the market for interactive home services . Nippon Telegraph and Telephone is moving fast towards this goal with its "INS" networking protocol.
- New and complex service groups will emerge to replace conglomerates as the main organisers of industrial resources. They will use computer links to manage a complex and inter-related set of activities.

Stewart is optimistic about the future of the integrated circuit (IC) or smart card, a plastic card complete with processor and memory. He believes it will form the major interface between customers and network services.

Favour

Pioneered by the French, the smart card has been comparatively slow to take off elsewhere. Now with increased worries about the security of electronic messaging systems, the smart card is gaining favour.

Smart cards are inherently secure. They do not have to be connected to a computer system on-line and so are not open to "hacking." Furthermore, the code to operate them can be hidden in the computer's memory, requiring complicated calculations to unravel. They are therefore extremely difficult to counterfeit.

The cost of a smart card is around $13 but the extra functions they offer over conventional magnetic striped cards makes them a very attractive alternative.

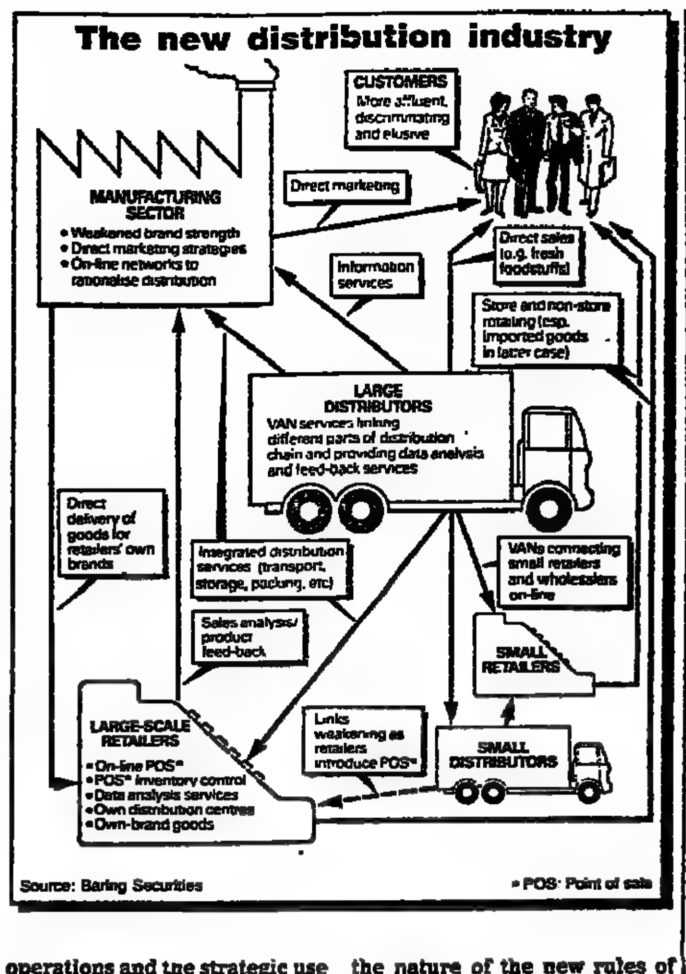
Stewart thinks that retailers and banks may decide to offer them free to their customers. Major trials are under way. Nippon Telephone and Telegraph is conducting the largest set of trials around Yokohama station with the participation of about 20 banks and other financial institutions.

Stewart's chief conclusion from his studies of the distribution, retail and banking sectors is that the transition from paper-based to digitally-based information will transform the underlying rules of competition. The survivors, he says, will be the next generation of growth companies, based upon the automation of their internal operations and the strategic use of on-line information to give a competitive advantage.

That in itself is not new and there is no example in his studies from Japan that do not have a parallel in the West.

The overwhelming impression, however, is that while western companies understand the nature of the new rules of competitive advantage and pay lip service to their observance, the Japanese are applying them properly.

The West has already seen what happens when the Japanese take seriously new manufacturing technology. It could be the same story all over again.



Gordon & Gotch seal a deal with Unisys

COMPUTER bureaux, companies which sell time on their computers to companies without their own or with insufficient capacity, have been hard hit by the advent of low-cost but powerful data processing equipment.

Once the dominant force in computing services, the bureaux have been forced to find other ways of supplementing their processing revenues.

Some install minicomputers on their clients' premises, others sell microcomputers or emphasise their consultancy services.

Gordon & Gotch, however, a UK-based bureau which has seen its processing revenues fall to 20 per cent of its £8m turnover in recent years, has taken the ambitious step of negotiating an agreement with Unisys to sell the US computer manufacturer's powerful 'A' series mainframes.

The 'A' series machines, the principal Burroughs mainframe range before its merger with Sperry to form Unisys, are among the most sophisticated mainframe computers available. The smallest can function as a department computer; the power of the largest exceeds that of IBM's top of the range 3090 computers.

Gordon & Gotch will be the first value-added retailer (VAR) of the Unisys 'A' series machines in the UK. John Perry, managing director of Unisys in the UK, said that new policies would be introduced so that the company's direct sales force would not find itself competing for business with Gordon & Gotch.

Gordon & Gotch, originally an Australian publishing services organisation, was owned, until last week, by the Australian Harald & Weekly Times group when it was bought out by its present management for an undisclosed sum.

The company's principal markets for its computing services, which include consultancy and data communications design, are the publishing industry and the financial services area.

Under the new arrangements, the company has already sold 'A' series mainframes complete with special software to Mercury Airfreight (part-owned by Gordon & Gotch) and to the City stockbroker Pershing Keen (formerly Laurence Prust).

A great deal of integrity

IBM'S NEW AND controversial relational database system, DB2, looks as if it will prove a winner for the world's largest computer manufacturer, despite a design flaw which is forcing some users to write special software to avoid inadvertently losing vital data.

A new study by the UK-based consultancy Xephon indicates that major IBM sites in Europe and North America where DB2 has been installed are on the whole well satisfied with the product, emphasising its security, recovery and restart capabilities.

These are important in a world where, increasingly, executives are becoming concerned about the integrity of their computer systems and their ability to withstand catastrophes and return to operational status quickly.

DB2 is only the second major database management system written by IBM for mainframe (System 370) computers. The first, IMS, was hierarchical in design - users got at the information they required through a series of indices and pointers. It was well suited to a production environment where the real "user" had to ask the computer specialists to extract the information he or she wanted.

DB2 is quite different. It is a relational database, following the ideas of the IBM computer scientist Dr Edward Codd. In this advanced form of file management, the relationships between items filed in the database is recognised by the system so that complex queries can be put to the computer, for example, "How many salesmen with a company car costing more than £10,000 failed to make their quota in the North West region in the last quarter of last year."

The fatal flaw in DB2, however, is what Geoffrey Norman of Xephon describes as a lack of referential integrity rules. This means that it is possible to delete a file from the system even if the items in that file still have live relationships with other files. Norman gives as examples: "A customer must exist for an order to be entered," "If a customer is deleted, so are all outstanding orders."

IBM has acknowledged the fault, according to the report, and has promised to provide corrections; in the meantime customers are writing special software to get round the problem. One site noted: "No problems to date, but we anticipate waiting until future DB2 releases incorporate referential integrity before producing production DB2 systems."

On the other hand, the report notes that DB2 has been designed as a relational database from scratch unlike some of its competitors - Cullinet's IDMS/R, for example - which started life as highly successful hierarchical database management systems and then had relational features grafted on top.

The chief competition to DB2 includes Oracle, a database management system designed along the same lines as DB2, and Adabas, from the West German company Software AG, which claims to have come upon the principles of relational design at the same time as Dr Codd.

Nevertheless, most DB2 users expect it to be IBM's only database product within 10 years.

DB2 in Practice. Xephon tel: 0635 33848, price $39.

Office automation a target for Sony's one-million bit chip

SONY, THE Japanese electronics company, announced this week that it expects to begin commercial production of a special semiconductor memory chip able to store one million bits of information (about 125,000 characters) next autumn.

The chip is called a static random access memory (sRAM).

Chips of this type are expected to play a big part in the development of equipment for the emerging office automation market because they do not have to be electronically "refreshed" like standard dynamic random access memory (dRAM) chips. One million bit dRAMs have been available for some time.

Sony, Hitachi, Mitsubishi and Toshiba have been working collaboratively on the one million bit chip since last February.

The 256,000 bit sRAMs have been available from US companies like IDT and Cypress for some months now, although the world's fastest sRAM has been developed by the UK firm Inmos.

There is no indication yet how fast the new Sony chip will be. The market for sRAMs has stabilised after a period when prices fell sharply

FX-Colt broadens apeal

SOFTWARE SCIENCES, the Thorn EMI subsidiary which modified and installed the US Colt system in no less than seven City dealing rooms in the run-up to the Big Bang in the London securities market last year, has now launched an equivalent system for foreign exchange and money market dealers.

Called FX-Colt, it is a real-time deal-capture and position-keeping system designed to automate front office dealing and treasury activities. The system is aimed at firms typically having in excess of 15 dealing positions; it is expected to be able to handle up to 10,000 trades a day.

Michael Alford, managing director of Software Sciences' commercial and financial division, said he did not believe there was a comparable product available in the market. The essence of FX-Colt is accurate deal capture. According to Software Sciences, once deals are entered they are checked for credit utilisation and positions are updated. Profitability, cashflow and maturity schedules can be reviewed.

All the information captured in the deal is stored on-line and can be updated, amended and cancelled by authorised users. Reporting, ticket generation and transmission of deals to a settlements system is on-line in real time.

The installation of the Colt dealing system was one of the technological successes of Big Bang. Originally designed for US dealing rooms, it was modified for use in the UK by a consortium of users, including Barclays de Zoete Wedd, NatWest Investment Bank and Cazenove. Development also involved James Capel, Kleinwort Grieveson, Salomon Brothers and Savory Milln.

After a core system had been created, each customer added its own special requirements. Like Colt, FX-Colt runs on fault tolerant computers provided by Stratus of the US.

APPOINTMENTS

General manager of Link Interchange

LINK INTERCHANGE NETWORK, jointly owned by Abbey National, Nationwide Anglia, Girobank, Co-operative Bank and Funds Transfer Sharing, has appointed **Mr John Spencer** as its first general manager. He joins from BP's corporate control department.

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Mr J.R. Precious has been appointed finance director of the TIOXIDE GROUP. He was group treasurer.

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COOKSON GROUP has combined the Cookson Fry and Cookson materials divisions into Cookson metals and chemicals division comprising 36 companies. **Mr R. Brooker-Carey** has been appointed divisional chief executive with **Mr R. Whittaker** as his deputy. The division has four sectors, each with a chief executive: Cookson Precision Castings, **Mr D.W. Oram**; *Frank Horsell Group*, **Mr H.M. Green**; Cookson Industrial Materials, **Dr N. Henry**; Cookson Fry, **Mr W.J. Woodhouse**. The ceramics and plastics division has also been formed with **Mr M. Batey** as divisional chief executive. This division has 28 subsidiaries and has been divided into three sectors, with the following chief executives: Cookson Ceramics, **Mr C. Hancock**; Cookson Minerals, **Dr F.J. Fletcher**; and Cookson Plibrico, **Mr E. Struzik**.

*

Mr Rex Wyer has been appointed managing director of L.S. *WILSON (BUILDERS)*, *Market* Harborough, a member of Raine Industries. He was development manager of J.F. Miller, another Raine company.

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M. MYERS & SON has appointed **Mr Simon Marriott** as managing director. He was with Renold.

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Sir Iain Tennant and **Mr Richard Caws** have been appointed Crown Estate Commissioners for terms of two and three years respectively from January 1.

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COUNTY NATWEST has appointed **Mr Richard Williamson** as a director. He joins from Warburg Securities where he led a domestic and international UK sales team.

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T.I.P. EUROPE has appointed **Mr Jim Davis**, chairman of DFDS, as a non-executive director.

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Mr Keith Bridge has been appointed a director of *PHILLIPS* & DREW with responsibility for public sector financial activities.

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Mr Charles Brandon Gough has been appointed to the board of BRITISH AEROSPACE as the non-executive Government director. He is a senior partner of Coopers & Lybrand.

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WHITBREAD & CO., has appointed **Mr Norman Burrough** as a non-executive director. He is chairman of James Burrough, which following its acquisition by Whitbread, will incorporate Long John International.

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Mr Paddy Ross, a director of Framlington Unit Trust Management, will join BUCKMASTER & MOORE on December 1 as marketing director. **Mr Graham Fortescue** has been appointed marketing director of a new company to be established by Credit Suisse Buckmaster & Moore to provide worldwide investment services. He was head of sales of Prudential International Management.

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MARUMAN SECURITIES (EUROPE) has appointed **Mr Ian Bryne** as chief financial officer and company secretary. He was responsible for management information and compliance at the Chemical Bank International Group. **Mr Derek Gibson**, previously with EBC AMRO Bank, has also joined Maruman in London as an associate director with reponsibility for corporate business development and syndication.

*

KWIK- FIT HOLDINGS has appointed **Mr Brian Kidd** director of operations for its Stop 'n' Steer division. Mr Kidd, a former Kwik-Fit area sales manager, rejoins the group from Halfords where, as operations controller (service centres), he was responsible for the development and management of its vehicle servicing outlets.

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Mr Graham Side has joined STATE STREET LONDON, a subsidiary of State Street Bank and Trust Co of Boston, as vice president operations. He was formerly a vice president and product development manager for global custody at Chase Manhattan Bank in London.

*

Mr Richard Procter has been appointed administration director of DEVONSHIRE LIFE. He was previously divisional manager (client services) with Regency Life.

*

S. & W. BERISFORD has appointed **Mr Eric Jones** as group treasurer, **Mr Alastair Gordon** as group corporate finance manager, and **Mr Andrew Wilson** as group chief accountant.

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Mr Peter Ing has been apointed managing director of LITHO PLATES.

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Mr Gordon Young has been appointed a director of SMITH NEW COURT(SNC). Mr Young, who is currently an executive director of N M Rothschild & Sons, will join Smith New Court as executive director responsible for co-ordinating the company's international operation - Smith New Court International. The Rothschild Group holds a 32.9 per cent stake in SNC. He will remain a non-executive director of *N M Rothschild* and will provide a further and important link between the two companies, particularly in the area of international corporate finance.

*

YORK MOUNT has appointed **Mr David Callear** to the newly-created post of managing director. He will carry out the group's strategy of buying small developing businesses.

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Mr Procter H. Colquhoun has been appointed director of CLAESSENS INTERNATIONAL.

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Mr Jeremy Sampson has been appointed creative director on the board of ST. JAMES'S CORPORATE COMMUNICATIONS, part of the Lopez Group.

Scottish Provident chief executive

SCOTTISH PROVIDENT has appointed **Mr David Ernest Woods** to be deputy general manager from January 1. It is intended that he should be appointed chief executive on July 1 on the retirement of **Mr J.M. Macharg**.

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Sir Ronald Dearing has joined the board of PRUDENTIAL *CORPORATION. He retired in* September as chairman of the Post Office.

Mr Derek Box has been appointed managing director of ST. REGIS PACKAGING, a subsidiary *of David S. Smith (Holdings). He* was managing director of Bonar Cooke.

Incentive schemes

A livelihood played for high stakes

Clay Harris explains how some managers of Queens Moat hotels can make - or lose - their fortunes

BEFORE CHRISTMAS, George Elliott, general manager of the Oxford Moat House, will have to write a personal cheque for more than £100,000 to the hotel's owner, Queens Moat Houses. It represents the first instalment on payments of more than £1m which he is committed to make during the next year.

He will have to pay the full amount, between 25 per cent and 30 per cent of the 155-room hotel's budgeted annual turnover, regardless of the actual occupancy rate or operating costs. If revenues fall short, he will have to make up the shortfall out of his own pocket. If profits exceed budget, however, the entire surplus is his to keep.

Queens Moat's incentive scheme, which applies to more than half its 74 UK hotels, is one of the oldest and most radical in British industry. Begun in adversity more than 12 years ago, when the fledgling group needed to show guaranteed cash flow to satisfy its bankers, it proved to have lasting worth.

"We found that it was working as a management system as well as a way of financial survival," says Martin Marcus, deputy chairman and joint managing director.

The motivators, fear and greed, are harnessed together. "The only guarantee that exists is my personal guarantee to pay them that fee," says Elliott. "It's down to a manager to live or die by his own application. Incentive managers are frequently seen with their shirt-sleeves rolled up, washing the dishes."

The basis of the scheme has barely changed since 1975. Each participating manager, who is self-employed, provides the company with audited turnover accounts. He and Queens Moat then determine - often after lengthy negotiations - what growth is likely in the next year.

Queens Moat requires annual payments based on its estimates of each hotel's return on turnover. This ranges from 25 to 30 per cent at hotels like Oxford, which has a heavy residential conference trade, to 15 per cent at hotels which are more dependent on restaurant revenues.

Queens Moat never learns what profit each hotel actually makes and managers are understandably unwilling to reveal their hand. Nevertheless, Elliott says that the scheme has allowed him to achieve a much higher standard of living than would have been possible as a direct manager, even though the latter collect 25 per cent of profits over budget and are granted share options.

George Elliott: "It's down to a manager to live or die by his own application" Alan Harper

Incentive managers are responsible for planning the capital development of their hotels. If Queens Moat approves a proposal, the manager must repay its investment (in addition to his profit payments) over five to 10 years. The onus of deciding whether a development will pay for itself is firmly on the manager. Queens Moat avoids risk but ends up owning the asset.

At Oxford, Elliott championed a £500,000 indoor leisure centre - complete with squash courts, swimming pool, fitness room and jacuzzi - to increase the hotel's attraction for conferences and weekend breaks. Opening in May 1986, it has enabled him to raise room-rates by 20 per cent, perhaps twice the level expected otherwise.

Elliott, who grew up in Perkinsville, a pit village in county Durham, is a graduate in urban land economics from Sheffield. He had seven years of hotel experience when he came to Oxford in 1980 as manager of the Europa, then owned by Grand Metropolitan. He remained in the position when Queens Moat bought the hotel in 1982 and transferred to the incentive scheme a year later.

In the first year, his profit after paying Queens Moat was more than double what he would have expected as a direct manager. In his fifth year, which has just begun, he is committed to pay the company more than £1m, compared with £400,000 in 1983-84.

With its heavy emphasis on provincial business hotels, Queens Moat is less vulnerable to Chernobyl/Libya-type shocks to tourism. The manager, nevertheless, must bear the brunt if there is any unforeseen downturn, with partial protection only through insurance for loss of revenue.

Each manager must also decide how to motivate his employees. Elliott last year gave a bonus of one month's salary to senior personnel and one week's pay to all staff with at least a year's service.

The incentive programme has encountered some City scepticism over the years because Queens Moat was cutting itself out of any unexpectedly good results.

Marcus argues, however, that this is outweighed by the advantage of having guaranteed returns from hotels which account for 45 per cent of UK operating profits. "We have enough excitement in the other 55 per cent," he says.

Putting so much responsibility on the incentive managers' shoulders also allows Queens Moat to retain a lean and shallow corporate structure. Elliott, for example, deals directly with a main board director.

Queens Moat chooses carefully which hotels - and which managers - go on the incentive scheme. Oxford is the largest at present and would probably not have been included if it were not for Elliott's exceptional enthusiasm, according to Marcus. The same is true for the Falcon, the smaller of two in Stratford-upon-Avon, which would normally be excluded because of its exposure to a fluctuating tourist market.

For this reason, and because some hotels are simply too large for one person to take such full management responsibility, Queens Moat would not consider applying the scheme to its larger properties, like the Royal Moat House International in Nottingham or the Drury Lane, its only hotel in London. "The scheme is really designed for the 50 to 100 bed hotel," Marcus says.

Likewise, extending the practice to the company's growing operations in continental Europe is not an immediate prospect, even though some of the smaller hotels in the Dutch-based Bilderberg group are considered ideally suited and Peter Bertholdt, operations director for the West German hotels recently acquired from Crest, was an incentive manager at Harpenden.

Some hotels, moreover, simply run out of growth - apart from increases in line with inflation. This can often be the fruits of success, after a manager exploits every possibility, adding rooms and new facilities, and filling them to capacity, but finally runs up against the limits of a local economy.

Since Queens Moat will want to maximise its return, even in this case, very little incentive remains for the manager. Hotels like this return to direct management, at least until Queens Moat decides whether they will remain in the group.

And managers themselves may tire of the treadmill, although one of the original group is only now retiring after 12 years in the scheme at the Maids Head in Norwich. Without share options, the incentive managers' hard work does not build any equity for themselves, only a higher platform for the next year.

Queens Moat considers offering some managers a second hotel to renew the challenge, but Elliott, still only 36, is preparing for another escape. This autumn, he began an MBA course with the eventual intention of becoming a consultant after a few more years at Oxford.

A dramatic career change

INSIDE EDGE

Lynne Stabler tells Michael Skapinker the relevance of theatrical training in her switch from running a brewery depot to becoming an accountant

WHAT DO IBM, Price Waterhouse, Procter and Gamble, Cadbury and the London Business School have in common?

They all entered teams in the Institute of Directors' recent competition, Business Challenge '87. And they were all beaten by a 24-year old former drama student competing on her own.

Lynne Stabler, now a trainee accountant at Greenwell Montagu Securities, did not win the competition. But she did well enough, coming fifth out of over 900 competing company teams. A third of the teams were led by a director or partner of the organisation concerned.

She pronounces herself "a bit surprised" at her success, but insists that all you need is a bit of common sense. She will be back next year, she says, aiming to win.

The competition, sponsored by the IoD and Lotus Development, the personal computer software company, was launched in May. Part of the IoD's Re-skilling Britain campaign, it aimed to promote a broader awareness of business planning and computers among British managers.

The participating teams ran, on a computer, a fictitious power saw company, through four "years" of trading. The teams had to take decisions on issues related to production, marketing, sales, personnel, training, finance and general administration. The overall aim was to maximise the company's cumulative profit over the putative four-year period.

The eight top teams came together to compete in the final round at the IoD earlier this week. Lynne Stabler was among them, under the colours of her previous employer, Watney Mann.

In the end the competition was won by a team from the information systems group of Whitbread, the brewer. Second place was taken by Shell International, with Stabler, the only individual finalist, not far behind the winners.

Stabler has no formal business education. She is a graduate of Nene College in Northampton, where she majored in drama. Studying drama, she says, is an excellent preparation for business. "It gave me a lot of confidence and a lot of social skills," she says. "It teaches you how to achieve what you want to with other people, how to work with them. You also learn when you should back down."

She is so quietly-spoken that it is difficult to imagine her as an actress. "It was never my intention to be one," she says. She just enjoyed studying the subject.

Her first jobs after college were temporary administrative positions which she found through the Alfred Marks employment agency. One of those jobs was a six-week stint with Watney Mann in Northampton. They asked her if she wanted to work in London, setting up a new depot.

"I think they took a bit of a gamble," she says. "There aren't many graduates who get an opportunity like that." She worked on her own, reporting to the operations director. When the depot was up and running, the company offered her a full-time job as depot co-ordinator.

"It was an honour, really. I was straight out of college, with no business education whatever. So many of my friends remained unemployed or went into jobs at low levels where they were closely monitored. They weren't given an opportunity to use their initiative, which is something most graduates have got."

It was while she was at Watney Mann that she heard about the Business Challenge. The company entered two other teams. She was the sole member of the third.

She lives in a village outside King's Lynn and used to do most of her work for the competition on the train from Cambridge to Liverpool Street.

Her starting point was an analysis of the market. After that she operated on a simple principle. "You don't sell more than you can produce and you don't produce more than you can sell."

The problem with some British companies, she says, is "perhaps they try to run before they can walk. You can be a bit over-adventurous, bending your product to something it's not capable of doing. It might be better to wait a year or two, building a solid foundation."

Midway through the competition, she left Watney Mann to become a trainee accountant at brokers Greenwell Montagu.

"I had originally thought I would go into marketing, but doing the job I did I got to speak to a lot of different people in the company and began to realise that marketing was a bit narrow.

"Then I had a chat with managers at Watneys and they said that what I needed was business planning and analysis and the way to do it was through accountancy."

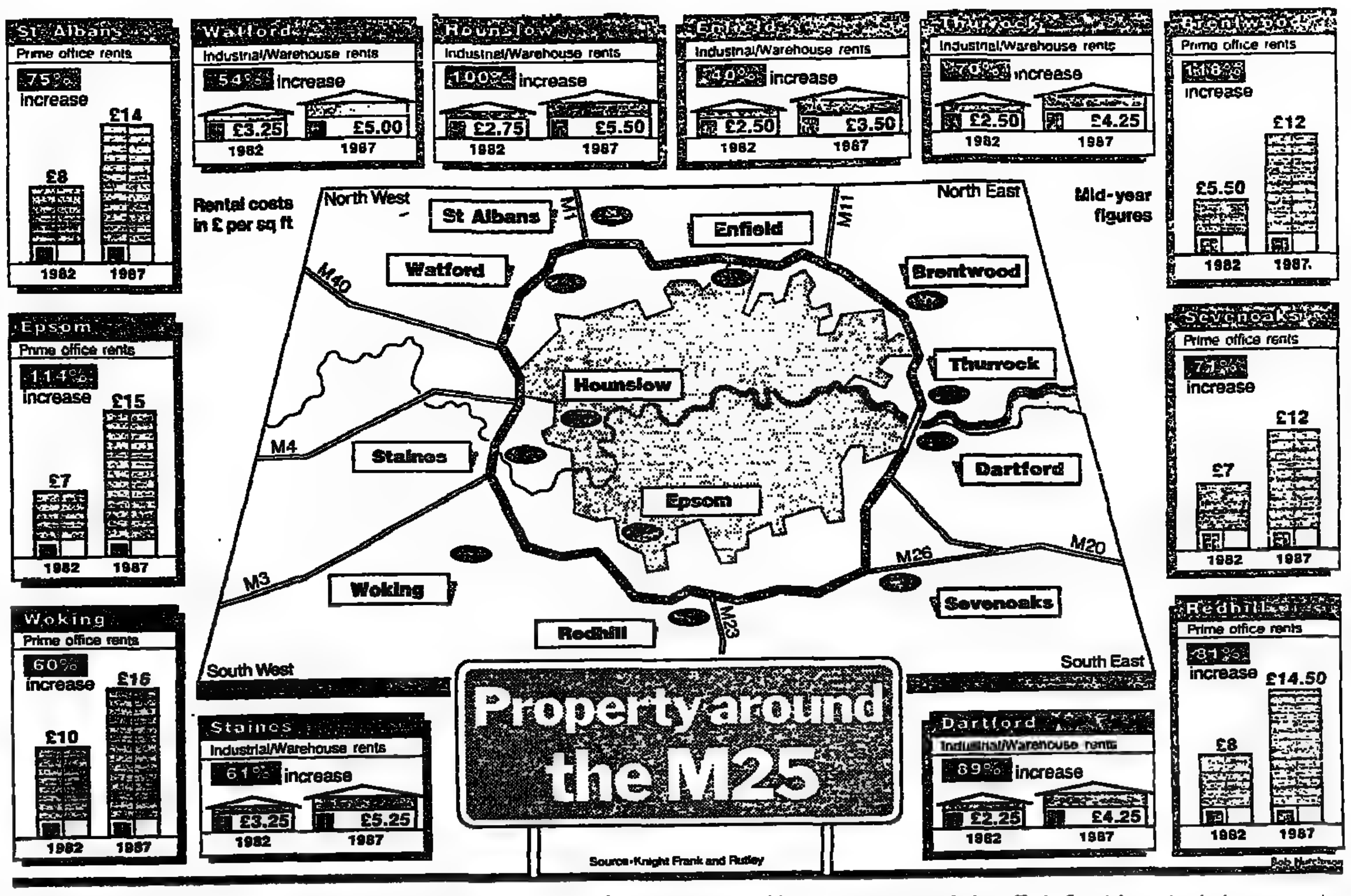
The parting was entirely amicable. She does not exclude the possibility of returning eventually to her old company as a manager. She clearly appreciates the start they were prepared to give to an untested graduate.

In so many other companies, she says, young managers remain an under-utilised resource. Too few organisations make an effort to develop their younger recruits.

"If you're working for a company and you're prepared to give the time and effort to develop their business, they should be prepared to take the time to develop you," she says.

FINANCIAL TIMES SURVEY

The completion of the M25 provides better access to many areas around London and so improves economic prospects. The property industry takes advantage of those prospects and, in turn, creates its own, as happened with the spread of the railways and the underground. Paul Cheeseright describes the trends.



Circle of prosperity

ALTHOUGH IT is a complex process, at the broadest level the presence of the M25 motorway has accentuated growth that was already coming through the dynamics of the South East England economy. At a more particular level, the M25 has chimed with the emergence of new demands for accommodation, opened up the possibilities of developments in areas which until recently the property companies thought outside their scope and helped give a new lease of life to recently sluggish markets.

Take, for example, the spread of business parks. Designed to respond to the needs of companies wanting premises outside the main urban centres, they started on the west side of London - handy for Heathrow Airport, astride the easiest road entries to central London.

The M25 has made the airport handy to most places near the M25 even on the eastern side. The road at the same time has improved access to the other airports - Gatwick, Luton, Stansted. So the business parks have spread. A few years ago the thought that Trafalgar House would put one at Basildon or that Mr Nicky Phillips would start one near Luton would have appeared laughable.

Indeed, the M25 has provided impetus to the establishment of business parks all round London. Not only is Trafalgar House involved, but also companies like Arlington Securities, London and Edinburgh Trust, Sheraton Securities and Slough Estates. The M25 has added piquancy to one of the popular property flavours.

But there is a catch in this. The rents that can be commanded for a mixture of office, research, showroom and light manufacturing facilities for high-tech products are much higher than for straightforward industrial sheds and warehouses.

Yet the M25 has brought into a play a new element in the distribution industry. It not only provides staging areas for feeding the London conurbation but will be of increasing importance to companies taking advantage of Eurotunnel. In any case, the growth of the South East economy has of itself set off a demand for new shed and warehouse facilities.

Because the business park developers can afford to pay higher prices for land than the industrial and warehouse developers, the latter have to some extent been pushed out of the market. King and Co, in its running surveys of industrial property in the country, has pointed up the shortage of space.

One point that does emerge from this, however, is the role of the property industry in changing the economic balance of the South East region. This is what the planners want and forms part of the strategic advice that Mr Nicholas Ridley, the Environment Secretary, has given to the local authorities.

This advice notes "the need to harness the opportunities presented by the completion of the M25 to help redress the balance of attraction for development between the east and west of the region...and to ensure that the fullest possible use is made of existing infrastructure in the less prosperous eastern parts of the region and in older urban areas."

The London and South East Regional Planning Conference, embracing all the planning authorities in the region has done studies and concluded that "there must be some caution expressed that the completion of the M25 will by itself redress the east-west imbalance."

Still, the spread of the business parks is one piece of evidence that the balance is beginning to move. And there are others.

The access to the M25 makes the English Estates redevelopment of the old Chatham dockyard more attractive than it might otherwise have been. The motorway enlarges the catchment area of the potential Capital and Counties-Pearson shopping venture at Thurrock and enhances the value of the Land Securities retail warehouse park that is already there.

Further, the rehabilitation of London Docklands depends at least in part on access to the M25 providing the link to the national motorway system that will make it, not an enclave of development, but a hub of growth. At the moment, though, Docklands development is moving more quickly than the creation of the access to sustain it.

Of course, from the point of view of the planners in the south and west of London, a redress of the economic balance would be a blessing. The fact that the M25 has improved the access of their areas both to central London and to other parts of the country - by linking up the motorways - has increased the pressure on them.

In Surrey, for example, efforts have been made to hold development in check after five years of rapid growth and to resist any incursions into the Green Belt. While it is true that right round London there is no ready welcome for planning applications that affect the Green Belt, the prevailing mood in favour of developments is probably stronger on the north and east sides of the M25 than on the south and west.

It is significant that the local authorities around Thurrock and Dartford have been ready to accept large new shopping centres, while elsewhere they have not. This reluctance is not only a question of the role of shopping centres in the countryside but also of fear that they might affect existing town centre retailing patterns.

Because the demands for the shopping centres has come on top of the spread of retail warehousing and out-of-town superstores to cater for motorborne consumers there has been a demand for the working out of a shopping policy. One difficulty has been the lack of a means to assess the cumulative effect of isolated developments.

To some extent, the issue appears to be moving towards resolution with the Government's latest draft circular on major retail developments. This comes out against developments in the countryside and broadly is in favour of keeping them in urban areas.

In just the same way the policy has been to funnel housing into the urban areas, part of the broader policy of urban regeneration, and not to let it sprawl over the countryside. Hence the failure of housebuilders to gain consent for new towns like Tillingham Hall in Essex.

In all of this, however, the concern is not to stop change. Rather it is a question of how to manage it against a background of scarce land resources - how, in fact, to cope with development at a time of boom.

One monitor of this boom has been the upward movement of rents for office property in the towns both inside and outside the M25. The rents still look cheap compared with central London, but they have been climbing fast.

In some parts, the south and west particularly, companies have looked outwards only to be bounced back to midway points for their accommodation. Hence there has been, for example, a revival of interests in centres like Croydon.

Seen over a five-year period, the speed of the rental rise has been faster in towns like Enfield, Harlow and Brentwood than it has been in Redhill, Sevenoaks and Bromley, according to figures worked out by Knight Frank and Rutley. In Epsom rents have more than doubled since 1982.

No area has been left out of the rise as the economy of the region expands. There is more to come. As Trafalgar House put it, in a recent study, the M25 offers new opportunities for existing business.

"The motorway is creating the potential for an integrated business community encircling London. This offers distinct advantages to relocating and incoming firms through access to a wide range of existing services and amenities", the study said. And it offers pickings to the property industry once the developers can find an alliance with the planners.

Where policies clash

THE M25 IS the economic necessity that has turned into a planner's nightmare. Both a catalyst and an opportunity for growth, it has clashed with established planning policies that veer in the opposite direction.

The tension is most clearly obvious in the uncertainty about how to handle the planning applications for a spate of major new shopping centres thrown up as retailers and developers seek to exploit the easier communications brought about by the motorway.

But the problem is wider, encompassing the main sectors of property development. It starts from an inherent clash between, on one hand, the broad thrust of government planning policies designed to facilitate rather than restrict development and, on the other, local environmental considerations. It then narrows down to the specific planning applications which have to be initially handled at local level within only the loosest framework of regional planning policy.

If the starting point is the national government presumption in favour of development, then the next point is the first exception the Government makes to the general policy.

As Trafalgar House Developments put in in a recent study of the South East, "Planning policies in the South East are overshadowed by the Metropolitan Green Belt which seeks to control the spread of London through tighter controls on development. Consequently the plans have generally adopted restrictive policies towards development in areas nearest to London especially in Surrey, South Buckinghamshire and East Berkshire."

Given that the region as a whole is in a period of fast economic growth, given too that planners in some areas are anxious to maintain the attractions which make the areas popular in the first place, there is an inevitable consequence.

"The influence of the Green Belt, particularly in wealthier areas to the south and west of London has placed considerable restrictions on green field land supply, thus maintaining high land prices which in turn has fed through to rents and prices," observed Mr Crispin Topping of Fuller Peiser, chartered surveyors.

And the planners have to be responsive to the desires of their local residents. "It appears that the areas of highest demand have coincided with the more vociferous local action

Continued on page two

Communications

Overcrowding hinders development

JUST A year ago, on October 29, 1986, Mrs Margaret Thatcher, the Prime Minister, opened the M25 with a blistering attack on the critics of the £1bn motorway, who were already queueing up to complain.

As she cut the tape over the final 8-mile section, between the M1 and A1 intersections, Mrs Thatcher told journalists: "I cannot stand those who carp and criticise, when they ought to be congratulating Britain on a magnificent achievement."

She went on: "This is a road of which we can all be proud. It is a showpiece of British engineering by our great construction companies, and I would like to thank and congratulate them on this magnificent achievement."

Few would suggest that the Prime Minister was wrong to praise the construction companies, which built the 117-miles long motorway more or less to budget and on time.

But most of the critics she was addressing were more concerned with the planning process which preceded the construction phase, which many blame for the serious overcrowding which now affects more than half the motorway.

Figures produced by the Department of Transport show that traffic on much of the motorway already exceeds its design limit, and all the indications are that the position is likely to get worse.

This has clear implications for property development, both around the motorway itself, and on its feeder roads, to which congestion is spreading rapidly.

This is illustrated by the opposition stirred up by an application from Amey Roadstone Corporation to site a 111,500 square metres shopping and leisure development at Wraysbury, near Staines.

A public inquiry will be held into ARC's proposals in November - but the Departments of Transport and Environment have already added their voices to those of local councils in opposing the scheme.

A notice issued jointly by the DoE and DoT says it would be likely to generate large volumes of traffic on the already overcrowded M25 between junctions 12 and 13, and on the A30 into central London.

This admission of serious congestion follows complaints from local councils, notably the London Borough of Hillingdon, which has repeatedly protested at overcrowding on the M25, and the consequent effect on other local roads.

Hillingdon hopes the Transport Department's response to the Wraysbury development heralds a more sympathetic approach to requests for a comprehensive survey of road conditions in the area, particularly around Heathrow Airport.

Traffic on much of the motorway already exceeds its design limit and will get worse

The stretch of the M25 which serves Heathrow, between junctions 13 and 14 is one of the most severely congested, carrying up to 142,000 vehicles per day, compared to a design capacity of around 80,000 vehicles per day.

But the fact is that almost the entire motorway is operating above its design level, with the exception of the section between Sevenoaks, in Kent, and Thurrock, Essex.

Even here there is a major problem at the Dartford Tunnel, where the six-lane motorway motorway funnels into a dual carriageway under the Thames.

The eastern side of the motorway is a paradise compared with the western end, however, where the section between junction 10 at Wisley and junction 20 near Watford is overloaded by between 28 per cent and 77 per cent.

This has caused bumper-to-bumper traffic on the M25 at peak times, and serious delays on important feeder roads, including the M3, A30, M4, M40, A405, A41 and M1.

Even worse, government figures indicate that overcrowding is likely to become worse in the next 13 years, so that traffic speeds on many feeder roads will be drastically reduced by the year 2,000.

Movement for London, a roads pressure group supported by the AA, RAC, Freight Transport Association and the CBI, says its interpretation of the figures shows that six sections of the motorway will then be at saturation level - more than 150,000 vehicles per day.

This will cause traffic to come to a virtual standstill at peak times near the junctions with the M25 of the M3, A30, M4, M40, and A41, together with the Heathrow spur of the M25 itself (between junctions 13 and 14).

This level of overcrowding is regarded by many drivers as unacceptable, particularly since the motorway has been in operation for less than a year.

The Government takes a more sanguine view. Mr Peter Bottomley, the Roads Minister, says the congestion merely proves the popularity of the motorway with the public.

Ministers are also apt to point out that much of the planning was done during the oil crises of the early 1970s, when traffic forecasts were being reduced all over western Europe.

But this cannot entirely explain the huge gap between the traffic forecasts produced by the Transport Department and the actual flow, which after 12 months use is already higher than the official predictions for 1996.

There has never been a clear explanation of the reasons for this disparity. But a major factor appears to have been the DoT forecasting model, which assessed demand by reassigning journeys formerly made on other roads.

The model took no account of the possibility that the motorway would generate new journeys. In the event, this has proved a major attraction to people who formerly had to cross part of London to move from one satellite town to another.

So what is the Government going to do to ease the congestion?

In the short term, a six mile section of the motorway between Chertsey and Staines is to be widened from three lanes in each direction to four, and junction 10 at Wisley is being modified to improve traffic flow.

In addition, a Bill is passing through Parliament to allow construction and operation by Trafalgar House of a privately-owned dual carriageway bridge at Dartford.

The bridge should open in 1990, and would reduce pressure on the existing tunnel. There is a danger, however, that, in combination with the proposed Channel Tunnel and the expansion of Stansted airport, it could attract sufficient additional traffic to the eastern side of the motorway to make it as congested as the west.

Meanwhile, a review of the whole motorway by independent consultants is expected to be announced shortly by the Transport Department.

Kevin Brown

Traffic flows on M25

(MAY 1987)

SECTION (Junctions)	TOWNS NEARBY & other roads	24-HOUR AVERAGE TRAFFIC 1987 (000's vpd)
1-2	Dartford (A2)	73
2-3	Swanley (M20)	64
3-4		58
4-5	Sevenoaks (A21)	64
5-6	Godstone (A22)	80
6-7	(M23)	87
7-8	Reigate (A217)	93
8-9	Leatherhead (A24)	82
9-10	Wisley (A3)	90
10-11	Chertsey (A317)	113
11-12*	Thorpe (M3)	127
12-13*	Staines (A30)	112
13-14*	Heathrow Spur	142
14-15*	(M4)	133
15-16	Denham (M40)	130
16-17	Maple Cross (A405)	117
17-18	Rickmansworth	120
18-19	(A41)	125
19-20	(A41)	104
20-21	Watford (M1)	103
21-22	(A6)	86
22-23	South Mimms (A1(M))	95
23-24	Potters Bar (A111)	101
24-25	Waltham Cross (A10)	96
25-26	(A121)	93
26-27	Epping (M11)	89
27-28	Brentwood (A12)	96
28-29	(A127)	83
29-30/31	Thurrock (A13)	71
Dartford Tunnel		71
Average for all sections		96

Source: DoT.

Housing

Village trendsetters

THERE IS a new trend emerging just outside the M25 ring. Where once developers were putting in planning applications for infill plots and small housing developments, now they are grouping together and applying for permission to build complete villages.

The first application of this sort came in May 1985 when 10 of the UK's leading housebuilders got together under the banner Consortium Developments and applied for permission to build a complete village on green belt land south of the A127 and abutting the A128 in Essex. This was to be called Tillingham Hall.

About 5,100 homes were planned for the village plus infrastructure which would include shops, roads and a school. The local council threw out the application and was backed by the Secretary of State for Environment who ruled that such developments were inappropriate in the green belt.

But he has provided enough hope to spark off further applications with his statement that 'the setting up of new settlements may be desirable' outside the green belt.

Consortium has put in another application for a new village in north-east Buckinghamshire - this time outside of the green belt - and has plans for at least two more about the same distance from London. Other developers have followed suit sometimes individually but usually in some sort of consortium.

Consortium wants to build settlements of between 5,000 and 7,000 homes for populations of 13,000 to 18,000, which it stresses would not resemble new towns built by the development corporations. Its ideal new development would be from 850 to 1,000 acres including 500 to 600 acres for housing including play areas and other open space, 100 to 150 acres for industry and offices, 150 acres for health, education, recreation and public spaces and 100 acres for roads and general landscaping. This could all be privately funded.

One reason so many planning applications have been made for new villages within a short drive of the M25 is that most of the surrounding counties are reviewing and 'rolling forward' their structure plans - in many cases to 2001. Several of them have gone through public discussion stages and are being considered by Mr Nicholas Ridley so the housebuilders see this as their last chance to influence planning in the South East possibly until the end of the century.

Most of the builders believe that housing provision is too small and fear that local authorities will cut it still further. They see new villages as an answer to critics who accuse them of spoiling the character of existing settlements and point out that this option prevents existing towns and villages having their infrastructure - both physical and social - overstretched.

Mr Peter Westhorpe, a main board director of Charles Church Developments says: 'Land availability in the South East is abysmal. We are not seeing land coming on to the market in the way it should. Builders are having to go to appeal to get sites which is lamentable.

'All the structure plan reviews are recommending substantial reduction - and I mean at least 10 per cent - for the next 10-year period compared with the 10-year period coming to an end.'

Charles Church is behind one of three applications facing Hart District Council in north-east Hampshire. It has submitted an application for 500 acres adjoining the village of Hook which would see 200 homes built on 200 acres and the rest of the land used for golf, community land, business and shopping with retained woodland making up the remainder.

Also in Hart at Foxley Wood west of Eversley, Consortium Developments wants to build on a sand and gravel plantation which is already being restored as forest land.

Both of these have already been refused and are awaiting public inquiries. The third application recently arrived from Bryant Homes for a site south of Eversley where about 3,000 to 3,500 homes could be built. Bryant has taken a different approach to the others by providing the option of gradual growth, rapid growth through the 1990s or just small-scale development.

Mr Westhorpe says these applications were inadvertently encouraged by the council which put two options for future housing provisions forward for discussion - - building a new community from scratch or adding to existing settlements. In the event local opinion gathered behind the latter option, but with the structure plan still in the Secretary of State's hands the developers see the chance to have an influence on its outcome.

In Berkshire Speyhawk Estates put in a series of planning applications earlier this year for a site south of junction 11 on the M4 involving a major new shopping centre, a business park and a village settlement to be called Great Lee. The village would involve up to 4,000 homes, schools, a community centre and local shopping.

Mr Colm Lennon of planning consultants C A Lennon Associates says the aim would be to provide a mix of housing ranging from executive home to starter homes and include various forms of tenure such as renting and part-owned with a building society in order to produce a balanced community.

The planning authority refused the application as it was contrary to the existing structure plan and a public inquiry is due late next year. But Mr Lennon says that if the Secretary of State comes down against a new settlement in Berkshire in his deliberations on the structure plan they would probably withdraw.

If this happens it will mean continuing the policy of tagging new development on to existing towns and villages. The problems this is causing with the infrastructure is becoming obvious in some places where sewerage systems are being overloaded to flooding point while in others hospital queues lengthen and traffic jams multiply.

Elsewhere there was a proposal for a new village at Southwater close to Horsham in west Sussex, but in his modifications to the county's structure plan the Secretary of State said that a new settlement would not be appropriate for that part of the county.

Housebuilders see building new villages as an answer to this problem and some local authorities are in agreement.

Tony Hazell

Nightmare for the planners

Continued from page 1

groups and thus exacerbated the situation," Mr Topping added.

Certainly land prices have been one factor pushing developers and occupiers north and east around the M25 and the very existence of the motorway has made this a more attractive prospect.

Hertfordshire planners, for example, are actively welcoming development. Essex, although keen to maintain its expanses of farmland, is more welcoming than it was. Policies in Kent are geared towards the revival of its relatively depressed north and keen to make Ashford a point of growth. In West Sussex, development around Gatwick is encouraged by the planners.

None of this is to suggest that all areas are open to developers. While it is true that policies of local need in areas like Hertfordshire and even in Surrey near Heathrow have been dropped or liberally interpreted, planners frequently seek to siphon development into certain districts. Thus the Thurrock area of Essex is seen as an area for development.

But Thurrock is significant in a more particular sense. It is the site of the first major regional shopping centre - Lakeside, a Capital and Counties-Pearson venture - around the M25 for which planning consent has been given by the Department of Environment, following a planning enquiry.

There are, though six other projects which worry the planners in the region: at Blue Water Park, Dartford, where the local authority is approving; Hewitts Park, Orpington; Leybourne Park, West Malling; Elmbridge Mall, Hook; Runnymede Centre, Wraysbury and Waterdale Park, Bricket Wood.

The London and South East Regional Planning Conference, which embraces both the London boroughs and the local authorities of the Home Counties, in a report circulated for comment during the summer, found "there appears to be no justification for all the floorspace currently being proposed in regional shopping centres; particularly as publicly funded improvements in town centres could be jeopardised."

The London Planning Advisory Committee, acting, more narrowly, for the the London boroughs, and concerned above all about the effect of regional centres on traditional High Streets, has urged more planning enquiries as a way of defining policy.

Criticism by local planners that the Government has not given adequate guidance on how to handle regional shopping centres has been met at least in part by a recent draft circular from the Department of the Environment. This is now the subject of study and comment around the region.

The key points are that major shopping centres are ruled out not only in the Green Belt but in the countryside more generally and that they would be appropiate outside urban areas only if, for example, they resulted in the reclamation of derelict land.

"The Thurrock decision must be regarded as consistent with this guidance, which is fortunate as its publication predated by only a few days the new draft circular", commented Mr Peter Shearman of Edward Erdman, chartered surveyors.

But, he asked, "How many other such developments currently awaiting public enquiry scrutiny will be able to satisfy these criteria? Probably very few, if any."

The whole issue throws into sharp relief the concern that the M25 might act as a magnet to development outside the urban areas and erode the struggle in places like London Docklands to promote urban renewal.

To that extent the existance of the planning applications has forced, for example, the London boroughs to examine their own planning policies. Mr Topping noted, "In the long term the best defence against a proliferation of such out-of-town centres will be for the local authorities to tackle congestion and car parking within their respective areas rather than to adopt a purely negative attitude towards such developments."

But, then, the whole planning dilemma in the region that the M25 cuts through is not whether there should be development but where it might be accommodated. The dilemma is at least in part a problem of economic strength.

Paul Cheeseright

David Lawson examines the effects the M25 is likely to have on the economics of the four quadrants

New hope for reducing the divide between East-West

Towards the £20 barrier

THE LAST link in the M25 was reserved for the north-western sector around London. But few people sat on their hands waiting for Mrs Thatcher to cut the ribbon before making their move into this prosperous area.

Planners had already laid down the ground rules of tight controls and developers snapped up sites from Welwyn round to Uxbridge in anticipation of an even bigger surge in demand for every type of commercial property in the area.

Only the tenants, with their notoriously short-term decision-making processes, were the missing ingredient. BP has probably helped focus other eyes on the area by preparing a move out of central London to a 500,000 sq ft purpose-built headquarters at Hemel Hempstead. Now others are setting the pace.

Office rents have been pushed up by almost a quarter this year as keen buyers chase limited amounts of space, according to Chris Parkinson of agents Richard Ellis. Landlords with prime property have found themselves back in the driving seat after some worrying years when space was easier to find. Now they can laugh at demands for break clauses in leases and pick and choose their tenants.

Smaller professional firms, floating on a rich local economy, have an easier task finding new space than the big companies trying to relocate out of central London.

Anyone looking at St Albans, for instance, might be willing to contemplate rents above the £14.50 a sq ft that Price Waterhouse paid ARC for its 25,000 sq ft office development. But they will find the largest new building is only 13,000 sq ft and most proposed schemes are less than 20,000 sq ft. Only Hunting Gate's 100,000 sq ft development and the prospect of Cadbury Schweppes' old building meet big league needs.

Watford faces similar restrictions. The area's leading office centre has no new space currently available and only 20,000 sq ft under construction, according to Parkinson. Tenants are desperately taking pre-lets to make sure they can get in, and Norwich Union has been besieged for its proposed 48,000 sq ft scheme in Clarendon Road.

Rumours abound that appraisals are being made at rents of £25 a sq ft, says Healey & Baker's Guy Duckworth - a hefty increase on the current top whack of £16.50. But eyes are more immediately watching for the first west London development to break £20.

This is one of those psychological barriers that tend to dominate property markets. Once it goes, everyone draws breath and starts reassessing values from the new base. There is intense rivalry between the south-west and north-west sectors on who makes it first. Parkinson believes that the one deal claimed by the south-west at more than £20 reflects a weakness in the tenant's covenant rather than a true rental value.

The first break may come in one of the suburban centres such as Uxbridge. The old pools of surplus space have disappeared as local companies expand and bigger tenants, unable to find space closer to the motorway, bounce back towards London.

Coca Cola/Schweppes has come closest to the magic mark, setting a London suburban record by taking half of Sun Alliance's 160,000 sq ft Charter Place for £19 a sq ft. The rest of the scheme is one of a handful of big developments left around the whole of the M25, so Healey & Baker cannot expect it to stay empty for long.

Town-centre offices have not monopolised the market's attention, however. High-tech development was surging before the M25 was finished and shows no signs of easing. The 90-acre Croxley Park at Watford will eventually have about 1m sq ft of multi-use space, which should produce a good return for Standard Life considering that rents for this sort of building have reached £9 a sq ft in the area.

Inevitably, traditional sheds have been pushed aside in the scramble to build for this more lucrative market. Now a reaction has set in as distribution tenants, keen to exploit the M25 scramble for what they can find, push asking rents to £6 a sq ft around road intersections. That compares with lettings closer to £3.50 just over a year ago.

These latest developments in the influence of the M25 also tend to obscure the big retail schemes which sprung up earlier in the motorway saga. South Hertfordshire is set to become a shoppers' paradise, with CapCo/Sun Alliance's Mars development in Watford leading the field and the Carroll group's Galleria near Hatfield not far behind.

This links back into the rest of the market,as the more these towns develop as shopping and service centres, the more they attract companies looking for new office homes and distributors ready to move the goods around.

Architect's impression of the new Sheraton Securities project at Uxbridge

Thurrock moves into fashion

AS THE temperature of the western sectors of the M25 property market soars close to overheating, eyes are turning eastwards to more unfashionable locations such as Romford, Brentford, Ilford and Thurrock.

Rents are still as little as half the level of the booming west and developers are expecting Essex to take the lead in future growth.

"Total costs in Epping are about half those in Watford," says Mr Ken Grundy of Hunting Gate, which has a long pedigree for schemes around the north London fringes. "The location is not particularly inferior, so these once secondary locations could become much more popular."

The M11, gateway to the booming economy of East Anglia, T=has helped shift the balance. Even the success of London's Docklands has proved to reluctant tenants that the world does not end east of the City.

Thurrock is a spectacular example of the M25's influence. This unemployment black spot at the far eastern tip of Greater London is now a development hot spot because it provides a rare combination of land outside the green belt and the enthusiastic support of planners.

Two big retail warehouse parks are proposed on former gravel pits around Junction 31 at the northern end of the Dartford Tunnel after more than two years of planning negotiations.

Capital & Counties is working on the 1.5m sq ft Lakeside Centre, which seems likely to be the first of the clutch of retail and leisure centres proposed around the orbital motorway.

Its partner, the Pearson Group, which also owns the Financial Times, picked up the land for a song before World War II, so a healthy increase in book value is on the cards. Pearson may yet find its half share of the development, which could be eventually worth almost as much as the £143m received for Bracken House in the City, a useful asset for any defensive moves in current squalls over a possible takeover bid.

Town & City sold a rival scheme across the M25 to CapCo when it realised Lakeside was preferred by planners. But other developers have taken a joint role. Land Securities, Britain's biggest developer, bought a partnership with Pearson to create a 300,000 sq ft retail park and has pre-let the lot.

RTZ is building a similar scheme on the Tunnel Estate and has had little trouble attracting top names such as B & Q and MFI. Although this part of the M25 has been finished for some time, completion of the whole ring has influenced distributors to move in on this strategic location this year. Land prices have broken £200,000 an acre and will rise further.

Even the neglected offices market is coming alive as the area becomes more fashionable. Rents have floated up to more £9 a sq ft in Romford and Brentwood as the old surplus space runs out. In fact some big potential tenants looking to decentralise back-office operations from central London are leap-frogging the M25 zone because they cannot find anything available within the near future.

Off-centre schemes such as the 95,000 sq ft Countryside Business Park at Warley Hill are gobbled up quickly, but sites for further development are not that easy to come by. Even a new town like Harlow on the M11/M25 nexus can offer little new office space, and rents are up to 9.75 a sq ft.

Such an excess of demand over supply seems sure to bring the growth that this area has promised for so long.

Fastest growing sector

THE M25 has added one more powerful asset to an overflowing basket of advantages which has turned the area south west of London into the fastest growing part of the country.

From the M4 around to the M23 are some of the most sought after office centres, business parks and shopping centres. But the long history of development pressure overlying the nest of sedate and wealhty commuter towns scattered across rolling countryside has also produced the most fiercely restrictive planning controls.

This has been a recipe for high rents and soaring land values, interruptedonly briefly by the recession of the early 1980s.The current boom is a combination of a resurgent economy and the old advantages emphasised by the extra accessibility brought by the opeing of the M25.

Office take-up doubled in Surrey to more than 1m sq ft in 1986, according to research by Knight Frank Rutley. And in the first six months of this year, as much space had been gobbled up as in the whole of 1985.

Apart from the demand from buoyant local companies, the motorway has brought a new interest from those fleeing even higher rents in London. The Mortgage Corporation, for instance,which is being spun off by Salomon Brothers from the new Victoria headquarters, seems likely to land at Dukes Court in Woking. Jones Lang Wootton has been asking £18 a sq ft, which compares with rents now approaching 30 in Victoria.

The initial requirement for 40,000 sq ft, perhaps rising to 100,000, sq ft will help erode even further the backlog of space in the town and finally get things moving on a 250,000 sq ft building hamstrung through demands by former owner ,Oldham Estate for a single tenant.

But buildings as big as Dukes Court are an exception around the M25. Relocating companies are either leapfrogging the motorway or bouncing back into London's suburban office centres to find space, so the impact of the motorway spreads far beyond the local towns, says Guy Duckworth of Healey & Baker.

He points to the way Digital and Sony have snapped up land in Basingstoke because they want to be within striking - distance of Heathrow and the M25 but feel they will not find expansion land closer in. In the opposite direction, Hammersmith has benefitted from the bounceback effect, and big tenants have pushed rents to around £17 a sq ft as space has dwindled. In Staines the going rate on Abacus Developments' 43,000 sq ft Magnus House has reached £19 a sq ft for the same reason.

Other outer London centres such as Richmond, Kingston and Sutton have also felt the benefit of tenants disappointed by tough planning restrictions or congestion in towns outside the motorway ring. Rents have jumped to between £14 and £15 a sq ft in the first two, and Richmond has already put up the 'house full' sign, so they are likely to go higher.

On the other hand, the motorway has helped spread the impact of Heathrow by bringing places such as Reigate and Redhill closer into line with hot spots such as Slough and Windsor. LET and Guinness Peat have achieved a rent of more than £14 for a 60,000 sq ft pre-let in the Surrey town while Slough's values have remained relatively static which may be a reason for investors to look for bargains there again, Duckworth says.

Another cycle of development seems likely to match this surge in demand, although KFR warns that only Kingston seems to offer long term potential in the south west London centres, with a 10 year supply in the pipeline.

Outside the motorway ring, business parks and campus schemes are attracting the most interest because of the restrictions in town centres. This will be emphasised by changes in planning rules which will open up old industrial sites for offices.

In spite of pleas from agents, traditional industrial tenants hardly get a look in when land values hover between £750,000 and £1m an acre. High tech and retail building has been much more common, and something like 10m sq ft of multi-use development is in the Surrey pipeline alone, says KFR.

Channel Tunnel prospects

WHILE THE economic sun shines on the western fringes of London, much of Kent and Sussex has languished in shadow.The East-West gulf is not unique to London. Prevailing-westerly winds meant most UK cities developed in this lop-sided way as the rich settled upwind of pollution and grime.

Lower house prices, poorer communications and a less vibrant economy are the relics of this historic inequality.The M25 overcomes one of these main drawbacks, evening out the balance of accessibility. But without a history of growth industries, the sector has further to climb.

It also remains relatively distant from the modern wealth magnets of Heathrow and Gatwick airports, which play such an important part in the growth prospects of towns all around the western fringes of London.

The main hopes for the area lie with the proposed Channel Tunnel, which is already attracting developers into this forgotten zone. The accent is on distribution and shopping, as the potential of the tunnel is linked in with the M25. A clutch of mega-schemes has suddenly emerged to disturb the calm.

Most of Kent is locked up as a protected agricultural area, so planners are desperately trying to steer development away from the M25 to Ashford or the Dartford Tunnel area.

Northern England Development Associates has just picked up this lead with proposals for spending £1bn on a 15-yearproject to create a 1m sq ft shopping centre plus leisure complex and business park on 2,000 acres at Ashford.

Planners might be happy with the location but prospects for another big shopping centre could cause heartburn. They are fighting the Prudential's 1.5m sq ft proposals at Bromley and the Government aims to control out-of-town centres.

But Shearwater and Blue Circle's similar sized scheme on old quarries just south of the Dartford Tunnel has received the green light from county and district councils. In fact, planners are going out of their way to persuade the Government to allow development of Blue Water Park.

This small section of the M25 is turning into the star of the east for industry as well as retailing, linked to the potential of the tunnel, the proposed additional bridge, the new ferry terminal and big schemes across the water at Thurrock

Blue Circle, with so much worked out land to develop, is the major player. It has already started building Crossways 25 Business Park which will transform 150 acres of cement works into industry and warehousing, pulling in initial rents tof £4.50 a sq ft.

Big office tenants have tended to ignore this part of the South East although its new found accessibility has started to draw some well-known names. Bromley and Croydon , however, rate as highly as most suburban centres. Both are well inside the M25 ring and have reaped rewards from tenants bouncing back towards London after failing to find space further out.

Croydon, which is really more aligned to the buoyant office market of the south-western quadrant, has cleared a backlog of some 750,000 sq ft of space in less than two years and can look forward to a surge in rents.

One of the latest lettings was the Prudential's 75,000 sq ft Green Park House to Lloyd's Register at 11.75 a sq ft. Now Eagle Star is set to let 25,000 sq ft to NatWest Bank at 13.80 a sq ft.

Bromley has seen some 300,000 sq ft of surplus space taken up, with Rosehaugh's pre-let of 10,000 sq ft to Sainsbury at more than £11 a sq ft, showing how much rent levels have jumped.

These suburban centres are being fed by local service companies buoyed up by the healthy economy and national groups who want to expand in established centres easily reached by the M25.

The euphoria of the Channel Tunnel and M25 during the next decade can only increase pressure on these centres as the zone moves out of an economic shadow.

Arts Week

F	S	Su	M	Tu	W	Th
23	24	25	26	27	28	29

Music

LONDON

Trio Ravel: Haydn, Ravel and Schubert. Wigmore Hall (935 2141). (Mon).

Nash Ensemble conducted by Lionel Friend with Sarah Walker, mezzo soprano. Debussy, Ravel and Fauré. Wigmore Hall (Wed).

Lynn Harrell, cello. Bach and Hindemith. Wigmore Hall (Thur).

London Symphony Orchestra conducted by Mstislav Rostropovich. Rostropovich 60th birthday concert. Beethoven and Shostakovich. Barbican Hall (Thur). (638 8891).

PARIS

Orchestre National de France conducted by R. Barshai, Jeremy Menuhin, piano: Beethoven (Mon). Théâtre des Champs Elysées (4720 3637).

Les Musiciens Amoureux: Robert Schumann (Mon). Comedie des Champs Elysées (4720 3637).

Michele Lagrange recital, Dalton Baldwin, piano (Mon). Théâtre de l'Athenée (4742 6727).

Orchestre de Paris – Andras Schiff, piano: Bach (Mon). Salle Pleyel (4563 0796).

English Chamber Orchestra, Mitsuko Uchida, piano: Mozart (Mon). TMP-Chatelet (4233 4444).

Orchestre de Chambre Bernard Thomas conducted by Bernard Thomas: Vivaldi, Schubert, Cimarosa, Bellini (Tue). Saint-Roch Church (4261 9326).

Orchestre de Paris conducted by Zubin Mehta, Roger Woodward, piano: Messiaen, Xenakis, Mahler (Wed, Thur). Salle Pleyel (4296 9894).

Orchestre National de France, Jeremy Menuhin, piano, Jean-Jacques Kantorow, violin, Misha Maisky, cello: Beethoven (Thur). Théâtre des Champs Elysées (4720 3637).

NETHERLANDS

Amsterdam, Concertgebouw. Hartmut Haenchen conducting the Netherlands Philharmonic, with Frank Peter Zimmermann, violin: Bartok, Tchaikovsky, Schumann (Mon).The Asko Ensemble, Schönberg Ensemble and Hague Percussion Group under Reinbert de Leeuw: Messiaen (Tue). Recital Hall: Hakan Hagegard, baritone, accompanied by Geoffrey Parsons: Schumann, Richard Strauss, Ives, Grieg, Stenhammar, Sibelius (Tue). Anner Bijlsma and Hideimi Suzuki, baroque cellos, with Jacques Ogg, harpsichord: Vivaldi, Bach (Thur). (71 83 45).

Rotterdam, Doelan. The Randtsedlijk Orchestra and massed choral voices led by the Rotterdam Opera Choir conducted by Piet Struijk, with Gaetano Bardini, tenor (Tue). The Asko Ensemble, Schönberg Ensemble and Hague Percussion Group under Reinbert de Leeuw: Messiaen (Wed). Tom Parker's The Young Amadeus, the Young Messiah, with Vicki Brown, Madeline Bell, Gordon Neville, the New London Chorale and Orchestra (Thur). Recital Hall: Lodron Sextet: Mozart (Thur). (413 24 90).

Utrecht, Vredenburg. Bach's Hohe Messe with the choir and baroque orchestra of the Netherlands Bach Society (Wed). Recital Hall: Lodron Sextet: Mozart (Tue). Jard van Nes, mezzo-soprano, accompanied by Gérard van Blerk: Brahms, Schumann, Wolf, Dvorak (Wed). (31 45 44).

Nijmegen, Vereeniging. Bach's Hohe Messe with the choir and baroque orchestra of the Netherlands Bach Society (Tue). Anner Bijlsma and Hideimi Suzuki, baroque cellos, with Jacques Ogg, harpsichord: Vivaldi, Bach (Wed).(22 11 00).

Arnhem, Musis Sacrum. Piano recital by Naum Grubert: Schubert, Beethoven, Rachmaninov (Mon). (51 61 91).

NEW YORK

Carnegie Hall: Liege Philharmonic. Pierre Bartholomee conducting, Jeffrey Siegel piano. Franck, Liszt (Mon); Orchestra of St Luke's Christoph Eschenbach conducting, Jessye Norman soprano. Mozart, Haydn (Tue); Leningrad State Symphony. Alexander Dmitriev conducting, Lazar Berman piano. Weber, Shostakovich (Thur). (247 7800).

Chamber Music Society of Lincoln Center (Alice Tully): Pergolesi, Amy Beach, Shulmait Ran, Dvorak (Tue). Lincoln Center (362 1911).

Juilliard Orchestra (Avery Fisher): Paul Zukofsky conducting. Falla, Stravinsky, Mozart (Thur). Free. Lincoln Center.

Merkin Hall (Goodman House): Prism Orchestra. Robert Black conducting, Barbara Ann Martin soprano. Schoenberg, Susan Blaustein, Ravel (Tue); Lisa Joy Sitjar piano recital. Bach, Ravel, Beethoven, Maria Martinez, Schumann (Wed); Samuel Bartos piano recital. Bach, Schubert, Beethoven, Tui St. George Tucker, George Walker (Thur). 67th w. of Broadway (362 8719).

Kaufmann Hall: Alice Giles harp recital. Bach, Tournier, Berio, Fauré Salzedo, Eberhard (Tue); Pilar Lorengar soprano recital with Mastersingers at the Y. Handel, Dvorak, Gluck, Respighi, Mompou, Obradors, Granados (Wed). 1395 Lexington Av. (531 5003).

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting, Jorge Bolet piano. Sibelius, Grieg, Borodin (Tue); Erich Leinsdorf conducting. Mozart, Stravinsky (Thur). Lincoln Center (874 2424).

Philharmonia Virtuosi (Town Hall): Richard Kapp conducting, Carter Brey cello. Respighi, Tchaikovsky, Vieuxtemps, Haydn (Tue). 43rd e. of Broadway (842 1818).

WASHINGTON

National Symphony (Concert Hall): Fabio Mechetti conducting, Nicanor Zabaleta harp. Debussy, Ginastera, Dvorak (Tue); Rafael Fruhbeck de Burgos conducting, Joshua Bell violin. Tchaikovsky, Respighi (Thur). Kennedy Center (254 3776).

Chamber Music Society of Lincoln Center (Concert Hall): Pergolesi, Amy Beach, Shulmait Ran, Ravel (Wed): Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Pierre Boulez conducting. Debussy, Boulez, Schoenberg (Thur). (435 8111).

TOKYO

Dietrich Fischer-Dieskau, baritone: Schumann. Suntory Hall (Mon). (505 1010).

Naoko Yoshino, harp. Respighi, Bach, Renie, Holliger, Albeniz, Pierné. Tokyo Bunka Kaikan Recital Hall (Mon). (237 9990).

Japan Philharmonic Orchestra conducted by Heinz Rögner with Hermann-Christian Polster, bass. Haydn, Mozart, Sibelius (Tue). (270 6191).

Masumi Endo, piano: Bach, Busoni, Liszt, Prokofiev, Schumann. Suntory Recital Hall (Wed). (237 9990).

Orchestra and chorus of the Deutsche Oper Berlin conducted by Jesus Lopez Cobos with Karan Armstrong, soprano. Weber, Berg, Bruckner. Suntory Hall (Wed). (725 8888).

Hiromi Okada, piano Mozart, Beethoven, Liszt. Tokyo Bunka Kaikan Recital Hall (Thur). (285 1661).

Dietrich Fischer-Dieskau, baritone. Mahler's Songs from Des Knaben Wunderhorn. Suntory Hall (Thur). (505 1010).

Contemporary Piano Duos from Bulgarian Festival Recital by Kodama, Genevi and Alexander Raichev. Ongaku no Tomo Hall (Mon). (780 5400).

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-union in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832).

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale, Ayckbourn's own production is led majestically by Michael Gambon. Best of the NT rest remains King Lear and Antony and Cleopatra in the Olivier, A View From the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's Fathers and Sons is decent but dull in the Lyttelton. (928 2252).

Three Men on a Horse (Vaudeville): George Abbott's sprightly gambling comedy has transferred from the National. Geoffrey Hutchings in the lead now joined by Toyah Wilcox (836 9987).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

WASHINGTON

Breaking the Code (Eisenhower: Derek Jacobi brings his role of Alan Turing to America. Ends Oct 31. Kennedy Center (254 3670).

Joe Turner's Come and Gone (Kreeger/Arena): Tony Award winning playwright August Wilson turns in this play to a rooming house at the turn of the century where black people conjure up spirits that connect them to their heritage. Ends Nov 22 (488 3300)

All the King's Men (Arena): Adrian Hall's adaptation of the Robert Penn Warren novel explores the assassination of a demagogue during the Depression with music by Randy Newman. Ends Nov. 22 (488 3300).

CHICAGO

Red Noses (Goodman): The American premiere of Peter Barnes' medieval vaudeville comedy pits Father Flote (Ivar Brogger) against the plague with his remedy of humour. Ends Oct. 31. (43 3800)

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Kabuki (Kabuki-za): The matinee plays are best. Excellent informative English earphone commentary and detailed programme notes. Kabuki-za, near Ginza (541 3131).

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Bibliothèque Nationale: Fine Prints in France from the 16th to the 19th Century. More than 200 impressions of exceptional quality from the print department of the Bibliothèque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early engravings showing strong Flemish, German and Italian influence to the majestic Grand Siècle style under Louis XIV, from Boucher's pastel-lined *sujects galants* to the modernity of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale, Galerie Mansart, 58 rue Richelieu. Ends Nov 2.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Grand Palais. Ends Jan 4.

Artcurial presents a panorama of 12 years of its activities in favour of contemporary art as a gallery, a library and as an editor of "multiple originals" of statues and jewels, contemporary furniture, Sonia Delaunay's personal dinner plates and a 1930 carpet. The gallery's exhibitions have tried to present the image of the 20th century. Sonia Delaunay was followed by Giorgio de Chirico, Zadkine's retrospective by Man Ray photographs. There was sculpture by Chadwick and the art of the poster by Matisse. All culminated in a homage to the late President Pompidou – like Artcurial a lover of the avant-garde. Artcurial, 9 Ave Matignon (4299 1816). Ends Nov 14.

Francis Bacon: for his return to Paris, Francis Bacon is showing four triptychs among the 11 canvasses painted between 1984 and 1987. There is a self-portrait, a bullfight and a soberly dressed President Wilson next to Trotsky's study – full of blood, needless to say. The artist who finds abstraction utterly boring continues to torture and distort the human figure. Galerie Lelong, 13 Rue de Teheran (4563 1319). Closed lunchtimes and mornings Saturday and Sunday. Ends Nov 22.

WEST GERMANY

Bonn, Rheinisches Landesmuseum, Colmantstraße 14–16: Sculpture from the German Democratic Republic (East Germany). A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 60 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stötzer, Hermann Glöckner, Waldemar and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. The show will be in Bonn until October 18 and then to Munich (Staatsgalerie moderner Kunst, Nov 5–Jan 3) and Mannheim (Stadtische Kunsthalle, Jan 23–Feb 21).

NETHERLANDS

Rotterdam, Prins Hendrik Maritime Museum. Art as camouflage, or camouflage as art? The startling 'applied vorticism' of marine dazzle painting developed in the First World War by Norman Wilkinson to deceive the enemy as to a ship's real position and course. Ends Dec 6.

SPAIN

Barcelona: "Leonardo da Vinci. Nature Studies" 50 drawings on loan by the Royal Library at Windsor Castle, shown recently at the Metropolitan Museum, Stockholm and Tokyo. Centro Cultural La Caixa, Paseo de San Juan 108. Ends Nov 8.

Madrid: "Beuys, Klein and Rothko. Transformation and Prophecy". Centro Cultural de la Caixa, Serrano 60. Ends Nov 8.

Madrid: "Ouka Lele 1977-1987". A retrospective of Madrid's "movida" photographer with her colouring effects, shows her latest controversial piece "cibeles" requested by Madrid's town hall, halting the capital city's main square and causing a tremendous traffic jam last summer. Museo Espanol de Arte Contemporaneo, Avda Juan de Herrera. Ends Nov 3.

Madrid: "Mark Rothko 1903-1970". 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. This show was seen recently at the Tate in London. Fundacion Juan March, Castello 77. Ends Jan 3.

Madrid: "Mies van der Rohe". 150 drawings by the architect to commemorate his birth was prepared by the Art Institute of Chicago and shown in Frankfurt and Paris last. Sala Mopu, Nuevos Ministerios. Ends Nov 1.

NEW YORK

Metropolitan Museum: 200 objects from the Age of Sultan Suleyman the Magnificient demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art: Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1960 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 40 paintings and four painted constructions. Ends Oct 18.

TOKYO

European Nature in 18th Century Japanese Art. This exhibition is of Japanese art inspired by Dutch manuals imported into Japan in the early 18th century after the Japanese Government lifted its 200-year-old ban on foreign materials. The 160 paintings and sketches of European flora, fauna and people throw some more light on the Japanese phenomenon – information-hungry and seeking to catch up with the West from the first slight opening of the door to the outside world in 1720. Suntory Museum of Art, Akasakamitsuke. Ends October 25. Closed Mondays.

Continued on Page 25

Cinema/Nigel Andrews

'Old Nick' hi-Jacked

The Witches of Eastwick (18) Cannon Shaftesbury Avenue, Screen On The Green
The Last of England (18) Prince Charles
Eat The Rich (18) Cannon Haymarket and Oxford Street
Made In Heaven (PG) Renoir, Chelsea Cinema
Beyond Therapy (15) Cannon Haymarket and Tottenham Court Road
Dirty Dancing (18) Cannon Oxford Street

The Witches of Eastwick is a film choc-a-bloc with special effects, but the best special effect of all is Jack Nicholson. In this screen version of John Updike's comical-allegorical novel about the Devil's visit to a small New England town—conjured thither by the yearnings of three lonely young women — Nicholson, playing "Old Nick," seems no longer an actor but a cosmic force. Faced with a performance like this, the world has to revise and expand its notion of the four elements: they are clearly earth, air, fire, water and Jack Nicholson.

Wearing a Cheshire Cat grin, receding hair and flyaway eyebrows, Nicholson's Darryl Van Horne—the mystery millionaire who moves into the big house on the hill — seems in a state of permanent mischievous evanescence. Dressed in an eye-boggling series of louche-fitting garments—a baggy pink waterproof, voluptuous pyjamas designed as if by Kandinsky—he lolls and leers, wisecracks and spitfires his way into the hearts of the three love-hungry ladies (Cher, Susan Sarandon, Michelle Pfeiffer). And he spreads credible sedition throughout the twee, picture-pretty town.

Director George ("*Mad Max*") Miller gives the film a flavour of comic apocalypse from the start. The camera swoops down from the skies, glides into the homes of the townspeople, peels open their secret yearnings and then brings in Mr Nicholson to perform open-heart Satanism. The movie's florid visual style—crane shots, high angles, arabesque camera-movement—prepares us for the comical-surreal high passions to come. And come they soon do. Miss Sarandon's cello catches fire while practising under Nicholson's tutelage: Cher wakes up in a bedful of snakes after injudiciously quitting the girls' later *menage a quatre* with Mr N: and the town's repressed, censorious first lady, newspaper proprietor Veronica Cartwright, is punished for her prudishness by having a holocaustic experience after eating too many cherries.

The movie probably started life, like Updike's novel, as an ironic but gracious nod to feminism: a vehicle for three succulently drawn heroines who graduate from sexual daydream to wish-fulfilled passion and finally to giving the devil his punitive due. But with Nicholson around, the project is hi-Jacked. Good as the ladies are—and awesome as are the special effects including flying, mutating and 57 varieties of gastric upheaval—he steals the film with a smile, a swagger and an all-star braggadoccio. The Devil, it seems, as well as having all the best tunes, can call on all the best players.

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Apocalypse is also freely dispensed in Derek Jarman's *The Last Of England*, but to far lesser effect. The film consists of 87 minutes of hell-fire and holocaust, with minor interruptions for coherence. Set in a decaying England of unspecified date, the film's whirling, jump-cutting, no-narrative visuals were shot on super-8 and resemble the delirium tremens of a madman. On screen are wasteland ruins in London and Liverpool, scenes of paramilitary firing squads, a semi-nude man dancing in a tutu, a young man raping a Caravaggio painting, wartime home movies of the Jarman family, Tilda Swinton tearing at her trousseau, and much much more. On the soundtrack (courtesy of "sound architect" Simon Turner) are Bach, heavy rock, police sirens, thunder, poetry and much much more. In the engine room of the film's mind is a thesis about the decline of Western civilisation, or possibly much much less.

The director of *Jubilee*, *Sebastiane* and *Caravaggio* is clearly not satisfied that he has *epater'd* the bourgeoisie enough with his previous films, so he is having another go. All power to the elbow that tries to jog stale movie custom or to dislocate received ideas. But the trouble with this movie is that it is *all* received ideas. The holocaust imagery is hand-me-down and repetitive, the staccato-hallucinatory camera-style has been Jarmaned to death already in the director's short films, and the targets of the movie's scorn — bureaucracy, officialdom, philistinism, Thatcherism—are getting to seem as old and weary as the aim and energy of their hunters.

England is in turmoil again in *Eat The Rich*. This film comes over as if the same essay question had been to set to the Comic Strip team as to Jarman: "The England of the near future will be a place of confusion, anarchy and civil strife. Discuss, using one side of your brain only."

Under writer-director Peter Richardson, the team that brought you *Supergrass* duly oblige. Where Jarman plugged the theme into his tragic-apocalyptic brain-cells, here we have the Alternative Comedy approach: a gay black waiter (Lamar Pellay) leading a civil revolt, a madcap caucus of supporting stars helping or hindering (Rik Mayall, Alexei Sayle, Paul McCartney) and a knockabout cockney Home Secretary called Nosher Powell, played by Nosher Powell. He is the best thing in the film. Impervious alike to racist scruples ("Get out of the way, Sambo") and to sartorial taste (suede brothel-creepers and green lamé suits), he bounds across the land biffing criminals, single-handedly ending sieges and generally behaving as if he believed that Home Secretaries should be seen and not just Hurd.

Michelle Pfeiffer in "The Witches of Eastwick". Jack Nicholson with Cher, Susan Sarandon and

*

The best thing about alternative comedy, when it misfires, is that there is usually an alternative. Traditionalists will warm to a film like Alan Rudolph's *Made In Heaven*, made in Hollywood as if nothing had changed there in the last 50 years. Others may warm less readily. Timothy Hutton dies in a drowning accident, is transported to Heaven and falls in love with beautiful Kelly McGillis (of *Witness* and *Top Gun*). In a pastel-tinted Heaven they live their post-mortal idyll, until each has to be reborn into the world, is flung apart as a result, and has 20 years in which to find the other or the song will sound on their love.

This complex contractual arrangement shows that one should firmly read the small print before checking into either venue in the after-life. Rudolph directs amiably, but the comedy is thin and the romance thinner. And Hutton and McGillis are no substitute for the old stars (Cary Grant or James Stewart, Carole Lombard or Jean Arthur) who might have made this screwball fantasy sparkle back in the 1930s where it belongs.

Goodness knows where *Beyond Therapy* belongs. Certainly not on your current list of eligible movie experiences. Robert Altman here adapts a wacky Broadway stage comedy by Christopher Durang — at least one assumes it was once wacky—as a vehicle for Glenda Jackson, Jeff Goldblum, Julie Hagerty, Genevieve Page and Uncle Tom Conti and others. But, playing assorted lovers and psychiatrists, all the stellar cast can do, given minimal direction and microscopic wit in the script, is to trip over the furniture and the non-sequiturs.

Better to see *Dirty Dancing*: the endearing Cinderella tale of a Jewish teenager (Jennifer Grey) who discovers love, dancing talent and the courage to defy her parents in a Catskills holiday resort. Clean as a whistle, simple as a pantomime, durable as a soufflé.

Lulu/Scottish Opera

Andrew Clements

It has taken eight years since the Paris premiere of the three-act version of *Lulu* for the complete opera to be sung in English on a British stage. Scottish Opera's new production; a joint venture with Opera North directed by John Cox, sets and costumes by John and Elizabeth Bury, calls upon Arthur Jacobs' excellent and sensitive translation; John Mauceri is the conductor.

Lulu is one of the operas which ought to gain a great deal by being heard in the vernacular (*Der Rosenkavalier* is another). Berg's libretto is woven with lapidary skill; the dovetailing of dialogue and song is perhaps more dramatically complex than in any other 20th-century work. The surreal humour of the ensembles of the second and third acts rewards minute examination, and ought to be brought into closer focus for an English-speaking audience.

Yet perhaps the most unexpected feature of the Scottish Opera performance is how relatively limited the gains in comprehension are, and how in any case those must be set against losses to the instinctive verbal rhythms of Berg's setting. The gradations, between speech, accompanied speech, *Sprechgesang* and fully launched *arioso* are subtlely manipulated and those distinctions, if not destroyed by English prosody, are certainly impaired.

The "songs" are the least hampered, and it serves to remind one how close much of the opera stays to the classical conception of recitative and aria, in which the action is moved forward in the recitative, while arias are reserved for exploring the emotional context. Berg observes that convention too, and because it is the action that is so richly detailed and painstakingly calculated, and the Anglicisation of the *parlando* inevitably so approximate (not at all the fault of this translation), that the rewards of an English *Lulu* are ultimately so limited in their scope.

There is nothing in Cox's production to hamper easy assimilation; those, led by George Perle, who like their Berg operas played straight with maximum fidelity to the stage directions, will take issue with relatively little here. The action has been moved forward to the 1920s, with designs and costumes carefully matched to that period; the Act 2 film sequence is replaced with a series of slides that link with the presentation of the Prologue as a lantern lecture, reinventing the Animal Tamer and revealing him as the Athlete, perhaps in reformed later life. Otherwise there is a close adherence to the original.

It does not convince me at least of the strength of the traditionalists' case. For the effectiveness of the evening is seriously undermined by the slack dramatic grip, and the lack of piercing insight into character, something which the Friedrich Covent Garden production, for instance, despite its irritations, never failed to offer. If the intention was to reveal all the protagonists as stereotypes, whose lives could be lived only through Lulu herself it succeeds almost too well, but fails to give that conception the necessary pivot of a detailed and sympathetically realised central role.

Beverley Morgan's Lulu is neither predator nor prey, nor (as she should be) both at the same time; but a rather superficial and tiresome individual, who, one almost feels, deserves no better than she gets in the end. Much of her singing is accurate (a distinctive virtue in this cast), and she manages the high-altitude coloratura with confidence and a forgivable degree of brittleness. She, together with Eduardo Alvares' secure if stolid Alwa, Fiona Kimm's wholly delightful and successful Schoolboy/Groom, and Hugh Hetherington's sleekly reptilian Marquis, end the evening in credit. The remainder—Chester Ludgin's painfully arch Schoen, Roderick Kennedy's approximate Acrobat, Roger Bryson's underplayed (though potentially rewarding) Schigolch and most sadly Delia Wallis's Geschwitz, whose lack of presence almost marginalises the character even in the third act—offer at best pallid efficiency.

If the evening has an unalloyed hero it is Mauceri, who as well as contributing a fascinating and thought-provoking essay to the programme booklet in which he construes the complete opera as a Christian work, with the third act offering the possibility of redemption and forgiveness, conducts the score with total conviction and comprehension. It would have benefited from slicker, tighter orchestral playing; a larger body of strings would have given more allure to textures. But the sense of shape of each constituent, the limpid directness through the most taxing passages—including the fiendish ensembles of the third act—offered its own revelation. Any opportunity to hear Berg's wondrous score realised with such intelligence ought to be eagerly accepted.

Justin Lavender and Beverley Morgan

One for the Road/Lyric

Michael Coveney

Willy Russell's comedy of settling down in the suburbs after a few wild nights in the 1960s has been knocking around for about ten years. Since I first saw it in Nottingham in 1979, Dennis Cain, the closest poet in central heating, has progressed from celebrating his 30th birthday to his 40th; the parlour game "Parkinson" has been superseded by "Wogan" and new words like "bonking" and "Sue Lawley" have entered the language.

So, for that matter, has Russ Abbot, the splendid television vaudevillian whose last (and first) outing on the West End stage in a revival of *Little Me* did little to prepare us for the authority, inflection and range of this admirable performance.

Range is also what the conspicuously tall and lantern-jawed Abbot *does* as Dennis, loping dangerously but inventively around his dormer bungalow, flinging abusive critiques of John Denver records through the Venetian blinds, followed by the records themselves. With his old friends Roger, the double glazing salesman, and his wife Jane ringing the William Tell bell on "The Haven" for the birthday dinner, Dennis berates his lot.

Even as a father, mortgagee and British Gas shareholder, Dennis has a lot to berate. Alun Armstrong's lunatic fury in the role is replaced by Mr Abbot with a congenital, humerous inability to play by arriviste rules of social etiquette. His displacement has been expressed in a wave of creative vandalism on the Phase Two bungalow estate: garden gnomes have been decapitated, patio waterfalls contaminated, arms stuck back on to a plaster Venus di Milo.

Dennis's parents are lost on the way to dinner, flummoxed in faceless crescents and drives named after famous composers. They are missing all the chat about art, cuisine, Spanish holidays and Tupperware.

Jane, punchily and throatily played by Elizabeth Bennett, thinks premature ejaculation is Dennis's problem. She advocates planning your sex life like a new kitchen. Meanwhile, it transpires that Roger (a full-blown, chunky Liverpudlian in red braces from Michael Angelis) has a longer unwashed laundry list than Don Giovanni.

It is the afternoon naughtiness that keeps them all happy down on the estate. Dennis's belated realisation of this is beautifully expressed in the latter stages of Mr Abbot's performance. Tunneling out was always unlikely. As Judge Brack would say, people don't do that sort of thing. They knuckle under and collect Lowry prints and go jogging, join the leisure clubs, or, in Dennis's case, assume the role of lounge clown.

This sharpening of the play in William Gaunt's production, manages almost to conceal the fatal flaw inflicted by the passing years. That is, the huge gap of middle age that has yawned between Dennis's Dylan and rucksack days and these showdowns. Why has he taken so long to wise up? Even John Denver isn't worth railing against for 20 years. And those Joni Mitchell songs would have driven him barmy long ago.

Still, it is all played with tremendous zip and gusto, not least by Janet Dale as the long-suffering Pauline who shows every sign, after distinguished service at the RSC, of bursting into the star light comedy galaxy of Prunella Scales (whose name crops up here in quite another context) and Pauline Collins.

Alastair Muir

Janet Dale and Russ Abbot

Philharmonia/Festival Hall

David Murray

Esa-Pekka Salonen conducted the Philharmonia on Wednesday in a curious programme—Ligeti and late Schoenberg, and then early Sibelius—designed, presumably, to provide post-interval reassurance for anyone dismayed by the first half. Those of us who think Sibelius's Second Symphony worth hearing at most twice reacted the other way round, though Salonen took the orchestra through it brightly and swiftly, disdaining the little ruses by which others secure an illusion of serious substance. The opening movement, which needs a lot of help, sounded quite weightless, and the rhetoric of the Andante stridently unconvinced; but the finale was much relished by the Philharmonia brass, and doubtless by others.

The Ligeti was *Atmosphères*, his 1961 study in ultra-subtle orchestral impasto—whispered string-blocks, brass sometimes reduced to noteless breathing. Unlike several subsequent imitations it lasts just long enough (including the conducted silence at the end) to maintain an astonishing grip on one's attention without exhausting it. Salonen judged the pace of its apparently motionless progress most expertly, and achieved beautiful balance in the thick note-clusters—not at all easy, even with the Philharmonia emitting such velvety pianissimos that discreet page-turning sounded unconscionably noisy. The conductor's score is very large indeed, and flappy: perhaps something continuous on rollers could be devised?

The Piano Concerto of Schoenberg proved to have been just as scrupulously prepared, with its many chamber-ensemble passages characterised so elegantly that the whole piece took on a light pointilliste gleam. But big unison phrases were thrown out with romantic fervour, too: nobody could have been left in any doubt—not even those who find the idiom rebarbative—that the Concerto carries an urgent expressive burden. Indeed this performance was communicative and immediate to a rare degree; surely the soloist's extensive and much-admired collaboration with the ECO winds in Mozart had borne new fruit in the lively orchestra-and-piano partnership here.

For the soloist was Mitsuko Uchida, not previously known as a Schoenberg exponent. I should have liked to hear the Concerto in a smaller hall, for at two or three declamatory moments her tone lacked the ideal weight; but her superlative clarity was a brilliant asset. Above all, she was bent on making every phase and cadence as precisely expressive as if it *were* Mozart, from her puckishly delicate handling of the initial tune to her sparkling cleverly sprung rondo. Not once was there a hint of just delivering the notes, though often enough that's a consuming task: everything had a luminous sense. Schoenberg has surely made new converts.

Stimmung/Elizabeth Hall

Dominic Gill

Karlheinz Stockhausen's *Stimmung* is quintessential Sixties music: an eclectic, mind-expanding extravaganza for six amplified singers, an hypnotic sound-web spun out for anything from one to four hours, alive with the invocation of magic names, the unearthly sound of harmonic vocal overtones, and the resonance, perpetually in undertone, of "interior cosmic voices."

When *Stimmung* first arrived on the European musical scene in 1968, Stockhausen's sun was fast approaching its zenith, and his admirers hailed the work not merely as an interesting and innovative essay in extended vocal techniques, but also, less palpably, as a chef d'oeuvre which could be perceived as a renewal of faith in the very process of music, almost a majestic affirmation of the divine life-force itself.

At the time, it is true, for the average concert-going audience (as for the average concert-going critic), *Stimmung* did prove a rather attractive and refreshingly new kind of "serious" concert experience. But the years have dulled the novelty of the occasion. Technically, the working of the piece has lost none of its bravura or inventiveness; but the music has lost much of its dizzy aura, and still more of its dizzy Sixties charm.

Gregory Rose's Singcircle first created their own version of *Stimmung* for London 10 years ago, and for an anniversary flourish are now touring it for the Arts Council's Contemporary Music Network. Their interpretation has never achieved either the intensity or the finesse of that of the original performers, the famous Collegium Vocale of Cologne: but it has its qualities — as well as a recognisably authentic air of devotion to the presentation, spiced with just the right tremors of piety.

Their South Bank performance on Wednesday lasted some one and a half hours. House lights are dimmed. The ritual begins. The production of vocal harmonics, such a novel departure 20 years ago, is now familiar territory. Singcircle do it well—even if their delivery has more conviction than flair. I wish they did not include in their version recitations in English translation of Stockhausen's own ghastly sentimental-erotic poetry: the words are risible, and their dramatic effect is more so. The Collegium Vocale's original "Paris" version was drier, cleaner, crisper: more incisively to the point.

Arts Week

Continued from Page 24

Opera and Ballet

LONDON

Royal Opera, Covent Garden: Further performances of the new Nozze di Figaro, conducted by Bernard Haitink, produced by Johannes Schaaf, with a first-rate cast including Claudio Desderi, Thomas Allen, Karita Mattila, Marie McLaughlin, and Sarah Walker. (240 1066).

English National Opera, Coliseum: This week's ENO repertory consists of lively performances of Sondheim's Pacific Overtures (a brave, worthwhile venture) and Werther, both produced by Keith Warner, and musically excellent ones of The Pearl Fishers (though the production by Philip Prowse is weak and dull). (836 3161).

PARIS

Ballet du Theatre Francais de Nancy – Homage to Serge Lifar: Suite en Blanc in Picasso's decor with Patrick Dupond and Phaedre in Jean Cocteau's decor with Marcia Haydee. Théâtre des Champs Elysées (4720 3637).

Otello performed by the Opera de Nancy et de Lorraine conducted by Jerome Kaltenbach in Magny Marin's production in Maison des Arts, Creteil (4547 5353).

WEST GERMANY

Berlin, Deutsche Oper: The Vienna Opera in Wozzeck, an Adolf Dresen production with Franz Grundheber, Dunja Veyzovic, Heinz Zednik, Walter Raffeiner, Philip Langridge and Günter Reich, conducted by Claudio Abbado. The Paul Taylor Dance Company of New York will perform twice (3 43 81).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera in Verdi's Don Carlos directed by Alberto Fassini to the mise-en-scène by Luchino Visconti. Hartmut Haenchen conducting the Netherlands Philharmonic, with Neil Rosenshein in the title role, Susan Marie Pierson (Elizabeth), Harry Peeters (Philip II), and Mimi Lerner (Princess Eboli). (Tue). The National Ballet company in Shamrock, a new work by Carolyn Carlson to music by Gabriel Yared (Wed, Thur). (255 455).

The National Ballet on tour with a Hans van Manen programme of Quintet (Mozart), Five Sketches (Hindemith), Sarcasms (Prokofiev), Twilight (Cage) and Adagio Hammerklavier (Beethoven). Mon in Nijmegen, Schouwburg (22 11 00), Tue in Groningen, Schouwburg (12 56 45).

Scheveningen, Circus Theatre. The Lodz National Ballet from Poland with Amadeus, a dance version of Mozart's life (Tue). The Berjozka State Ensemble from the USSR (Wed). (55 88 00).

Arnhem, Schouwburg. The Chitresh Des Dance Company from India (Tue). (422 741).

NEW YORK

Joffrey Ballet (City Center): The month-long schedule has three premieres, including a Robert Joffrey Nutcracker, Nijinsky's Le Sacre de Printemps and Three Preludes by Ben Stevenson set to Rachmaninov, along with Frederick Ashton's La Fille Mal Gardée and nearly two dozen repertory favourities. Ends Nov 22. 55th e. of 7th Av. (247 5850).

Feld Ballet (Joyce): Two new ballets, Embraced Waltzes and A Dance for Two, highlight the mixed programmes of this 22-dancer company in its month-long season. Ends Oct 31. 175 8th Av at 19th St. (242 0800).

Saleroom/Antony Thorncroft

Platonically perfect gem

Just 24 hours after Sotheby's in New York preened itself for selling a diamond for \$3.85m (£2.29m) Christie's comfortably topped it by disposing of a diamond for \$6.38m (£3.84m), making it, just, the most expensive jewel ever sold at auction. It was bought, so the story goes, by a rich American for his wife. The diamond of 64.83 carats is the largest recorded D colour internally flawless stone ever offered in a saleroom. The expert on jewels, Mr Benjamin Zucker, describes it as "platonically perfect," excelling in the four "C,"—colour, clarity, cut and carat weight. The auction also established a record total for jewels of \$23,602,876 (£14.219m).

The British Museum was a successful bidder at Sotheby's clock sale in London, paying £55,000 for one of the small and rare part silver grande sonnerie tourbillon carriage clocks, made around 1905 by the Soho Square firm of Nicole Nielsen not for the market but to delight the horological connoisseur. A mid 19th century quarter striking perpetual calendar alarum mantle clock by Viner of Regent Street was just within estimate at £44,000, while a rare small George III mahogany month regulator by Henry Ward of Blandford in Dorset did well at £27,500. Clocks and watches has been a tricky sector of late and the auction, which totalled £627,330, was over 34 per cent unsold.

A pair of Paul Storr table candesticks, of 1815, sold for £28,600, double the estimate, in Sotheby's silver sale, but perhaps more interesting was the price of £3,080 paid for a Chinese ivory brise circular fan of around 1870, which had been estimated at £500. A pair of French folding pink stained opera glasses of about 1890 went for over four times forecast at £1,650.

Sotheby's in London is trying to build up its auctions of contemporary art, a field dominated by New York. It should have been encouraged by its experience yesterday when a mobile by Alexander Calder, in painted steel, and dated to 1966 sold for £66,000 to a Scandinavian buyer. A 1962 oil by Hans Hartung was on target at £53,900 while another Calder mobile, entitled One Yellow, is also on its way to Scandinavia, for £47,300. "Composition," by Serge Poliakoff, went for £44,000. The sale totalled £1,050,940, but with almost 19 per cent unsold.

At Sotheby's sale of Ballet and Theatre material, Nijinsky's costume for Leon Bakst's ballet *Le Dieu Bleu*, owned by Lady Gibson and lent to Covent Garden's showcase for the past 20 years, was bought for £6,600 by the Australian National Gallery.

FINANCIAL TIMES

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Friday October 23

Slow reform in China

CHINA'S momentous thirteenth party congress, due to open on Sunday, is expected to decide the issue of who will at last take over from octogenarian leader Deng Xiaoping and his elderly colleagues. It could also set policy trends for the next few years by taking decisons on reforms which, once made public before the assembled delegates, would be awkward to undo. All this will happen with the world's press and modern telecommunications waiting in the wings. It is a welcome sign of the message of stability and moderation which the congress is expected to project that party leaders have turned it into almost a media event.

Much of this is simply a front, concealing what can only have been a fierce party battle. Many of the hard bargains were agreed and key decisions made as leaders ostensibly relaxed on the sands of Beidaihe, Peking's seaside resort, at the end of the summer. When, a few weeks ago, a sprinkling of liberal intellectuals were asked to resign from the party and the discussion of political reform surfaced, some kind of deal appeared to have been struck. But who will move into the expected vacancies in the politbureau, and exactly what programme the meeting will adopt, remains to be seen. Argument and some consequent surprises could still take place.

Angry discussion

Some elderly Chinese leaders, Deng included, have said they want to resign, and may now do so, clearing the way for a much younger leadership. But despite all the leaks and rumours flying round Peking in recent months as to who would take over, it would be rash to predict the meeting's outcome. All that seems fairly certain is that former general secretary Hu Yaobang's dismissal, effected last January, and Premier Zhao Ziyang's temporary appointment in his place, will be confirmed. Of the possible candidates for the premiership, the 59-year-old Soviet-trained Li Peng, seems the front runner, though this appointment is not strictly a matter for the congress. Who will get other top party posts, and indeed whether Deng will resign from his most crucial one, chairman of the party's Military Commission, is uncertain.

A year ago, China looked set for a smooth transition after Deng. But much has changed since then. Last winter, student demonstrations, the first on any scale since the Cultural Revolution, erupted on to the streets. They articulated many of the discontents felt by the intellectuals and white collar workers on whom China's modernisation programme depends. The battle they provoked in the party between hardline conservatives and reformers caused the downfall of Hu, previously Deng's right hand man and heir to at least part of his authority.

Political change

More recently, Chinese toughness against Tibetan nationalists in Lhasa caused bloodshed and riots, and with foreigners on the spot too. This must have sparked angry discussion in the party leadership over the wisdom of the whole policy of "opening up to the outside world". The damage it has done to China's always slightly precarious relationship with the US - since Peking has firmly put the blame on publicity given to the Dalai Lama's recent visit to Washington - must also be causing acrimony.

How far these subjects will get an open airing at the congress is a very moot point. Certain to be discussed, however, is the question of political reform. This is not political in the western sense since it will not deal with changes in the system but simply with proposals to separate party and government functions and the need to insist on higher qualifications for party members. This is a far cry from the days of 1986 when real moves towards cutting party power were discussed in the press.

Compromise like this will probably be the keynote of the congress, the wallpaper behind which the old arguments will rage. A balance between conservatives and reformers is the likely outcome in the leadership stakes, which should at least allow the present very gradual move towards modernisation to continue. But an appearance of unity should not deceive the onlooker into thinking that all the old battles about how far and fast China should change are finally over.

Computer skills in short supply

WARNINGS that Britain is running its stock of qualified computer specialists dangerously low are commonplace,but that does not mean they are anything other than extremely serious. Mr Richard Firth of the National Computing Centre (NCC) told the Confederation of British Industry recently that the shortfall could reach 53,000 by 1991 if present trends continue.

His analysis supports the results of a study published earlier in the year which showed that shortage of suitably trained staff was a bigger barrier to the more widespread use of information technology in British industry than lack of finance, awareness or any other identifiable factor.

On the face of things, therefore, there is every reason for concern. Effective use of information technology is recognised as a principal, perhaps the principal, key to competitive advantage in an increasingly difficult world market, yet here is Britain hobbled at the start through lack of the right resource.

To put the question in context, however, it is necessary to point out that there will always be a shortage of good computer specialists. The list of human activities which lend themselves to computerisation is infinite; the human resources to carry out the work finite.

Training schemes

Furthermore, it is a worldwide problem. Many of the top computer software teams in the US, to take one example, are composed largely of Asians, while India, with the world's third largest technically trained workforce, is itself chronically short of computer staff.

Thus the problem has to be contained as it cannot be cured. It affects in the UK mainly ordinary commercial companies rather than the high technology sector - a top software house in the UK, for example, can attract up to 5,000 graduate applications for 150 jobs.

The shortfall is particularly acute in the more specialised areas. That means, on the one hand, people qualified in sophisticated techniques like information management or data communications and, on the other, people who are both skilled technicians and competent in a particular application - factory process control, for example, or money market information systems.

The roots of the current shortfall lie in the reluctance of industry to establish and maintain sensible training schemes. These are among the first programmes to be cut when recession threatens turnover and profit.

Employers have some legitimate grievances. Computer specialists are expensive to train and there is no guarantee of their loyalty. Indeed, when trained they can demand high salaries from competitors. Big Bang in the City last year was responsible for some of the most ridiculous salary inflation in the UK.

Positive role

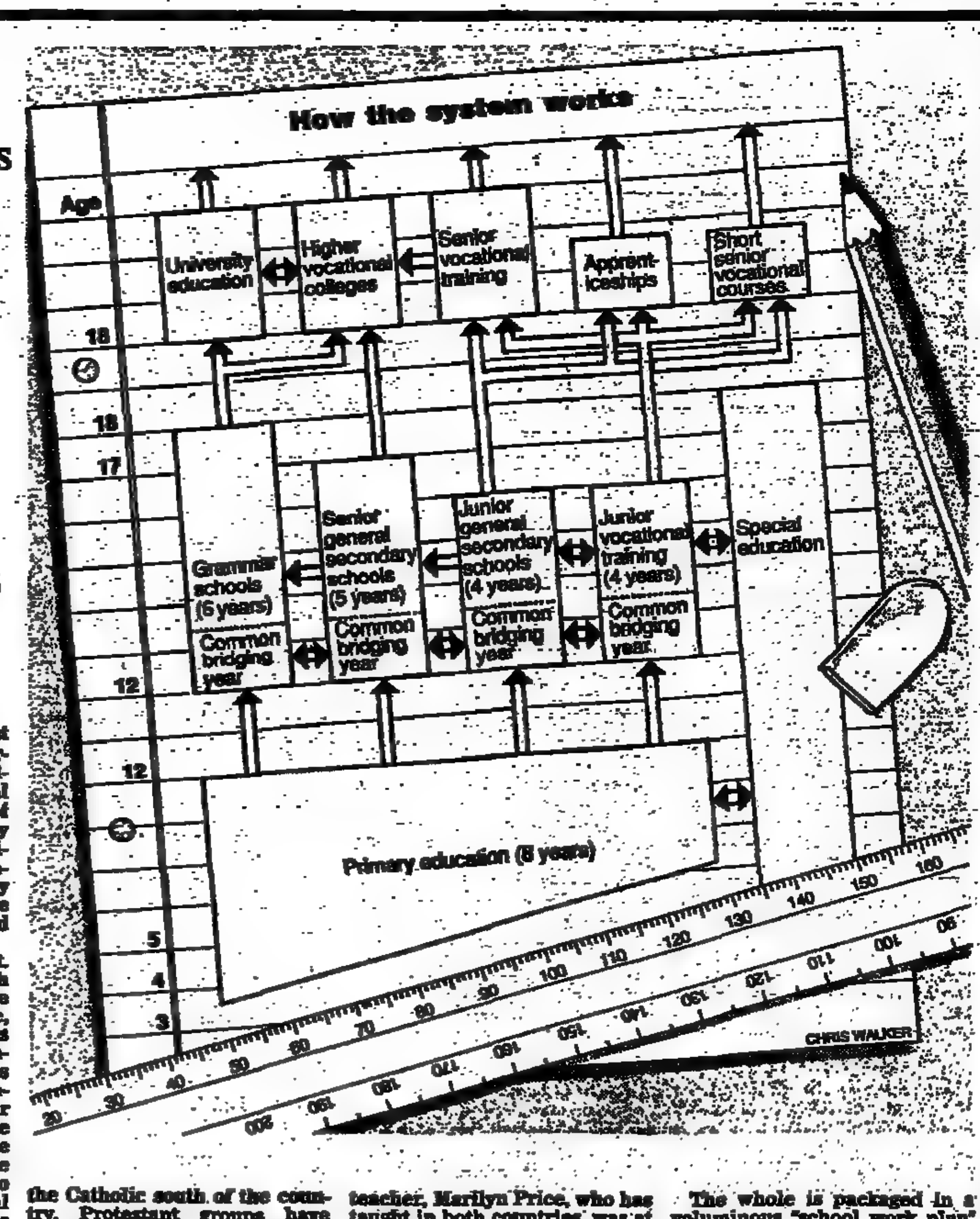
The US services company EDS attracted notoriety when it demanded recruits repay their training costs if they left within a specific period. Transfer fees is another idea which has been mooted.

There have been sporadic and successful industry initiatives; for example, a group of leading software houses is organising a cooperative training programme amongst themselves. Some in the industry would like to see the Government play a more positive role, perhaps by reimposing a training levy, or, better still, by introducing tax incentives. But the danger with that approach, which is in any case likely to be unattractive to the present government, is that companies would skimp on training while collecting tax credits or avoiding the levy.

Just as in the schools, widespread agreement on curricula, levels of attainment and methods of measuring the performance of company training schemes would be an important step forward. And if companies are to regard training as an investment rather than a charge, a programme of research to find ways of measuring the training output or yield will be essential.

Selectivity, discipline and self-management characterise Dutch schools. **Joe Rogaly** reports

A Dutch lesson for Mr Baker



IF THE BRITISH Government wants to understand how schools are managed by parents it should study Holland.

It will find that some two thirds of Dutch schoolchildren attend what in England would be called direct grant schools in which the management is self-contained, while the finance comes from the central department of education. No town council, locally elected board of education (as in the US) or other government authority intervenes. This is just the type of school that the Prime Minister, Mrs Margaret Thatcher, says will predominate in Britain in a few years' time (although her Education Secretary, Mr Kenneth Baker, seems to think that it will be more the exception than the rule). Either way, two points stand out: (a) the system works well, but (b) the poorer children in city centres have the worst of it.

It certainly gets results. Every visitor to Amsterdam or Rotterdam is struck by the ease with which Netherlanders speak not only English, which is compulsory in their schools, but also, it seems, French, German or another language on top. Their intelligence and national success as traders is plain. Managers in the great Anglo-Dutch companies (Philips, Shell, Unilever) are often struck by the relatively higher degree of literacy, numeracy and general education to be found in the Dutch side of their organisations. And the quality of Dutch schoolchildren as measured by international assessment tests is striking.

The most recent published example comes from the international mathematics project of 1981, which tested children aged 13 to 14 in 18 countries. The Dutch children's average score, in terms of right answers, was 57.1 per cent. (This was in a set of papers that included, arithmetic, algebra, geometry, statistics and ordinary measurement.) The only country that scored higher was Japan, at 62.1 per cent; West Germany did not participate. England and Wales, at 47.2 per cent, came eleventh. A 1984 comparative study of science scores, yet to be published, is expected to show the Netherlands in a similarly high position in the league table. Further evidence of the general quality of Dutch schools will become available next month when Her Majesty's Inspectors of Education publish their report on primary education in the Netherlands.

What is not so clear is just why they do so well. Three characteristics distinguish Holland's system from general practice in Britain and much of America: self-management by the schools, structure and discipline, and a high degree of selectivity. It is not possible to say which of them, if any, is the principal contributor to good performance.

Take self-management first. Buried deep in the Dutch psyche is the need to arrange matters so that their Catholic, Protestant and non-religious citizens can live together without murdering one another as do their counterparts in Northern Ireland. So since 1848 their Constitution has guaranteed the right of all persons to provide education. The churches have taken full advantage of this to maintain denominational schools, and in the Netherlands a school founded upon an *ethos* - be it a religion or a pedagogical method - is regarded as private.

The present breakdown in primary schools is about 30 per cent Catholic, 30 per cent Protestant, 5 per cent private non-denominational, and the rest state or municipal. The churches do not manage "their" schools directly, but they do of course exercise strategic power through their national federations of school boards. It is, however, the individual boards

Visitors are struck by the ease with which they speak foreign languages

of governors that take responsibility for the schools under their remit. This is acknowledged by the Dutch to be more effective in middle-class areas, where parents/church worthies will take election to the board of governors very seriously, than in working-class districts where, I was told, "the parents will repaint the school for you in a weekend but they won't sit and talk policy at meetings."

Groups of parents can, however, start new private schools, - if their plan meets certain criteria, perhaps the most important of which is that the school must have a religious or other ethical reason for existence. In the past two years the municipalities have opened 52 new schools, often following representations from non-religious parents in the Catholic south of the country. Protestant groups have started 34 schools, the Catholics 25 and private non-religious foundations 20. The inhabitants of Dewsbury, England, where some white parents are boycotting a mainly Asian primary school, will be fascinated to learn that next year one Islamic and one Hindu school will be opened in Holland.

In theory all these schools are equal. It is illegal to charge for education during the 11 years in which it is compulsory; income-related fees may be charged after that. The central government pays the same amount per pupil for the maintenance of both municipal and private schools alike. So far, so good. But at this point the Dutch middle classes demonstrate an astonishing capacity to have their cake and eat it. For if a municipality wishes to top up the central allocation from local funds it must pay out as much to private schools within its area as it does to its own schools.

Private schools are not, however, similarly burdened. They charge for things like extra subjects, swimming, materials and books and even the provision of extra teachers and hence smaller classes. At the Haagsche Schoolvereeniging primary school in The Hague the total cost is 570 guilders, or less than £200 a year, which would be a steal at British preparatory school prices but is nevertheless a deterrence to the really poor.

It is a dream school, with neat children sitting quietly and putting up enthusiastic hands when asked a question. They have an English stream, for foreigners' children. Its British teacher, Marilyn Price, who has taught in both countries, was at first dismayed by the precision and structure to which she was asked to conform. After two years she is delighted by it. "The basic skills come first, but there is time for creative projects and individual attention too."

The head, Mr A.C. van Dijk, was appointed by the board of governors of the owning foundation; the board itself is composed of five parents and one former pupil. Teachers are appointed by the governors on his advice, which is based on an on-the-job assessment. "I watch the candidates give a lesson, and even then their first contract is temporary," says Mr van Dijk. Over here Sir Rhodes Boyson likes to tell of when, as headmaster, he appointed a drama teacher after just an interview, as is the English way. "The only dramatic performance he ever gave was that interview," says Sir Rhodes, a former Conservative Minister of Education and now a backbencher. "After that we couldn't get even a Christmas carol out of him".

While most British heads in state schools would envy Mr van Dijk's status and authority, few would be anything less than amazed at the discipline within which he works. The number of hours spent on various subjects is prescribed by law, which will also be true in Britain when Mr Baker has shepherded his Great Education Reform Bill through parliament. The details of the curriculum, and the books and other teaching aids used are proposed by Mr van Dijk and his team of teachers, discussed with the parent-teachers association, and ratified by the governing board.

The whole is packaged in a voluminous "school work plan" which runs for two years and starts with a statement of goals and an outline of the broad vision of each subject. This educational version of a business plan is a legal requirement. It is cleared by a Dutch government inspector who ensures that the bits laid down by law are included. Every teacher knows what he or she is supposed to do within the plan,which provides for coping with individual difficulties, bad behaviour, dyslexia, and the like. The children

Every teacher knows what is required within the plan

are given a great many tests, starting with an IQ test in the first year, and the results are meticulously tabulated.

Like other Dutch heads, Mr van Dijk is also a salesman for his school. There is competition both within the private sector and with the municipal schools; parents may not be turned away and if the school is full there must be a draw. Thus almost any Netherlands school you visit is likely to produce a brochure describing itself and its achievements. (Mr Baker's proposed open enrolment for British schools does not so far provide for a simple ballot for those last in the queue).

It is at this point that selectivity comes in. Using the 12-plus test results and the records of eight years in school, Dutch primary school heads advise secondary schools as to the suitability of the child for various degrees of academic education, or perhaps vocational schooling. The chart shows the several types of secondary school in the Netherlands and suggests that it is possible to move across from a lower type of high school to a top grammar school. In practice the report of the primary school head is a key determining factor, although The Hague is currently proposing to move the age of decision up from 12-plus to 15-plus, by means of a common three-year course in all high schools. (Typically, the Dutch will run their future middle school "common" course at two levels, a higher and a lower.)

Mr Henny Scholten, the Rector of Het Nederlands Lyceum, a smart grammar school, may find it quite a change. At the moment about a third of all Dutch pupils have to retake their equivalent of Britain's O-level year, in spite of the selection earlier on. He can probably predict which of his will have to retake: when asked he produced a list of names of every child in the school, with every mark scored in every test written meticulously alongside each name. He, too, operates under a sort of business plan - "I have to market the school" - and his pupils pay between 110 and 610 guilders a year, depending on their parents' income. He works to a board of 10 parents.

All this would please Sir Rhodes who created a frisson of delight at a conference of the National Council for Education Standards on Sunday when he said of the present policies of Mr Baker that "we seem to be trying to bring selection back by the back door..." He was even more well received when he added, "I would sooner have selection by the front door. A cheer would then go up in the length and breadth of this country, particularly from parents."

It would be foolish to underestimate the importance of Sir Rhodes's remarks. He has long been a leader of the movement back from progressive and child-centred education towards greater structure, more discipline - and selection. He wrote parts of the "Black Papers" on education that were denounced as reactionary when they first appeared in 1968; he has also remained very close to the National Council since its founding in 1972. What was then regarded as a fringe right-wing pressure group has since become a fount of orthodoxy, many of whose ideas (core curriculum, assessments, some degree of parent power) have been taken on board by both the Labour Party and the Alliance.

But the downside of the Dutch/probable future British system must also be acknowledged. The municipal schools produce worse results than the private ones; as in England they tend to blame it on the intake. Opting-out is not a certain method of curbing left-inclined councils: in Amsterdam the Alderperson for education, a Mrs Wildekamp, has decreed that all future heads in municipal schools under her control must be women. (I have a sneaking sympathy for this, since women fill the majority of teaching posts but a small majority of headships in Amsterdam). Parents in the inner cities are simply not equipped to steer schools towards the middle-class excellence that I have described. In private conversation the Dutch accept that this is so, and worry about how to deal with it. It is hard to see the British Government doing better.

Men and Matters

Boots are made for walking

Sir James Blyth appears to have taken to heart the lesson of his less-than-happy stint at Plessey before setting out on his new job of marching Boots in a more market-oriented direction.

Blyth, a forceful Scot, who at 47 is one of the new breed of dynamic British managers, is to be chief executive at Boots in full charge of day-to-day operational matters - a role that eluded him at Plessey.

At Plessey, the division of labour between Blyth, who was managing director, and Sir John Clark, the company's long serving chairman, was never entirely clear. The friction between the two, almost palpable when they both appeared in public, finally drove Blyth out.

At Boots, by contrast, Blyth has worked out a clear understanding in advance with Robert Gunn, the chairman, leaving Gunn to concentrate on strategic and City matters.

Blyth's prime task, most observers believe, will be to build a more effective retailing organisation on the back of its strong pharmaceuticals base.

Blyth can point to a background in marketing, most obviously as the Ministry of Defence's head of sales for four years up to 1985. Yet all his experience at senior levels has been gained in organisations a long way from the high street: first in Lucas, then at the MoD, and finally at Plessey.

A spell early in his career at Mars goes only some way towards making up that deficiency.

Nevertheless, it will be surprising if Blyth, freed from the irritations he has experienced in his recent business life, does not quickly write a strong prescription for his new business.

"I've forgotten what to do when the price goes up."

Both ends

Janet Cohen probably got as much satisfaction from yesterday's City-financed buy-out of Allied Steel and Wire as anyone not directly employed by the first of the Phoenix ventures which rose from the ashes of the radical rationalisation of the UK steel industry in the early 1980s.

Six years ago, as an assistant secretary in the Department of Trade and Industry, Cohen played a crucial role in combining the wire and rod operations of British Steel and GKN. In policy, as well as industrial, terms, she admits that the pioneering joint venture was "cobbled together."

Although she left the civil service in 1982 to move to the corporate finance department of Charterhouse Bank, Cohen did not forget that Allied's ultimate intention was to broaden ownership once the painful process of restructuring began to bear fruit.

Last year, she helped to initiate the institutional approach to Allied, offering to buy the company. After months of negotiations, this led to yesterday's transaction in which a Charterhouse fund has a 23.3 per cent stake. "For me, the whole treat has been in being in at both ends of the deal," Cohen says.

Phantom VAT

The head offices of several British multiple stores, including the Burton Group, Etam,and Next, have had letters from the Jersey and Guernsey authorities querying their local pricing policies.

It is the result of growing vexation in the Channel Islands, where there is no VAT, that some of the multiples are charging the same prices locally as on the mainland.

Apart from the suspicion that their residents are being ripped off, the island authorities see the practice as damaging to their tourist trade, since VAT-free shopping is promoted as one of their attractions. Most of the complaints to Jersey's tourism committee this year from UK holiday makers have been over shop prices being no different from those at home.

Some of the head offices seem to have been reluctant to explain what happens to the 15 per cent added to Channel Islands prices. But those that have replied have variously blamed freight costs, the seasonal nature of island business, and high shop rents in St Helier and St Peter Port.

However, Jersey's economic adviser Colin Powell, who recently investigated the VAT question, points out that those factors equally affect all traders, yet some manage to make a reasonable profit while charging genuinely VAT-free prices.

Perhaps the most irritating excuse to local residents' ears is that computerisation now makes it too much of a nuisance to change prices and alter price tags for the comparatively small Channel Islands market.

Both Jersey and Guernsey are currently trying to think up ways of shaming the offenders into deducting at least some of the 15 per cent differential - or at least making publicly known which stores are not doing so.

Plus signs

Despite all the doom and gloom being bandied about the London financial markets over the BP share issue, at least one corner of the City is optimistic about its prospects.

In the past few days, would-be stags have still been making careful preparations for the flotation. They have been prowling around the streets of London asking passers-by if they can "borrow" their names to pad out applications for the BP share issue.

Down line

At a seminar at the Institute of Personnel Management conference in Harrogate yesterday, British Rail service quality manager, Daniel Giblin, tried to persuade a somewhat sceptical audience that BR is now providing a better service for its customers.

To illustrate what things had been like, he told of one passenger in Glasgow asking a helpful BR employee the destination of a particular train: "Does this train stop at Paisley, Jimmy?" he asked - adding the name virtually all Glaswegians seem to use when talking to one another.

"How do you know my name's Jimmy?" replied the BR man. "I guessed," said the passenger.

Back came the response: "Well you can guess whether this train stops at Paisley then."

Royal bump

A visit by the Duke of York to a company in central London this week inspired a memo to staff from the firm's hastily-appointed Head of Protocol for the day.

The final instruction for the Duke's well-being: "If for some reason you do happen to "bump" into HRH, please address him as "Your Royal Highness".

Observer

Politics Today

No one believes in gnomes any more

By Malcolm Rutherford

THERE IS no hope for Britain's opposition parties unless they can get their *economic policy* together.

If that seems a rash statement, look at the following points:

● Throughout the year there has been a series of scandals in the City that has led to a number of arrests. The Labour Party has been unable to exploit them, either before or after the general election.

● Labour has discovered only recently that the most potent criticism of the Government's privatisation programme is not to attack privatisation itself, but the manner in which it is done: turning public monopolies into private monopolies. It did so when it realised the degree of public dissatisfaction at the performance of British Telecom.

● Merger mania may have temporarily come to a halt. Yet when it was at its height, and huge sums of money were being spent in pursuit of takeovers, the Labour Party had no coherent competition policy; nor did it manage to get across that the Government does not have much of a policy either. None of the party's thinkers has accepted *that a fundamental change* might be going on in the relationship between capital and labour.

● When the stock markets crashed at the beginning of this week, *Labour had nothing* memorable to say.

The Alliance parties are being left out of this article because they are still sorting out their future, but it cannot really be said that they offered any striking economic alternatives at the election.

The result is that the economic debate has dropped out of party politics. It used to be paramount. If the late Hugh Gaitskell or the young Harold Wilson had been around this year, they would have embarrassed the Government time and again. Instead, the Government goes on winning even when it is not playing well.

There are several reasons for this. One is that the economy has genuinely grown stronger. *Outsiders notice this more than* the British. The Japanese businessman, for instance, who has been in Britain during the last five years, notes the rising self-confidence and the spread of affluence; so do the Germans.

Attitudes towards international capital also seem to have changed. When the pound was weak in the 1960s, Harold Wilson, who must have known better, would blame the gnomes of Zurich and some people believed that the gnomes really existed. Today nobody believes in gnomes, even though the capital flows have become far, far larger. Taking advantage of interest rate differentials and exchange rate movements has become an acceptable fact of life.

If Labour goes on thinking that the economy is weak, despite contrary evidence, there will never be an economic debate

When Chancellor Nigel Law*son said on Tuesday that he* thought that what was happening on the stock markets was "absurd", nobody laughed at him for posturing. What was happening may have been exceed*ingly dangerous, but it was* absurd. The search for scapegoats was confined to blaming preprogrammed computer trading. And there was no great inclination to disbelieve Mr Lawson when he said that the fundamentals of the British economy were sound.

The main reason for the absence of economic debate between the parties is that Labour refuses to accept that fact. Throughout the post-war period, the British economy has nearly always been prone to relative weakness: Labour believes that therefore it still is, despite the accumulated benefits of North Sea oil.

Yet, if Labour goes on thinking that the economy is weak and about to collapse, when the *objective evidence suggests that* it has become rather strong, there will never be an economic debate between the parties. If the bulk of the electorate continues to grow more affluent, and Labour goes on insisting that whatever prosperity there is is built on sand, the party will be seen not to be living in the real world. More bluntly, it will not win elections.

It is not so much an economic policy that the Labour Party needs, as a display of economic competence. After all, even under Mrs Thatcher the Conservatives have adjusted their economic policy several times - very little is heard from the Government front bench nowadays about monetary targets. But the Tories are still perceived by a majority of the electorate as being generally more competent. Even *if* the stock market dive were to be repeated, one doubts if it would lead to a lasting swing to Labour.

Opinion polls are not usually much noticed in the aftermath of a general election, being largely of academic interest. Yet some of them go on being taken. The results of the recent *Mori polls, assembled in the lat*est issue of British Public Opinion, suggest that on economic policy the Labour Party is now held in even lower esteem by the voters than at the time of the general election.

In the run-up to the election, the polls showed that Labour had a five-point lead over the Tories in terms of policies to deal with unemployment. The lead has been reduced to one point. Even among those out of work, a poll taken at the end of September showed that 24 per cent of them thought that Conservative policies on unemployment were the best.

Unemployment, according to the polls, has long been regarded as the most important issue facing the country. It still is, but the percentage of respondents saying so dropped from 86 in March last year to 63 last month.

Of course, unemployment has come down in the meantime and the polls reflect that. But it *is silly of the Labour Party to* behave as if the fall has not taken place, is insignificant enough not to make any difference or is without foundation. That is not how the electorate sees it.

It is not as *if* Labour has the lead on other issues. The Tories are way ahead on law and order, even more in September than they were in June. They always lead on defence and are now slightly ahead on education, which they were not at the time of the election.

Since 1985, law and order has tended to be regarded as the most important issue after unemployment. It is hard to see Labour ever winning on that. Even *if* the Party devised the most sensible policies in the world, there would still be a problem of persuading people to believe them.

Thus it comes down to the fact that the only way for Labour to make a come-back is for the party to begin to make itself credible on matters economic. To do that it needs to see the economy as it is: not just the warts, but the healthy parts as well, give credit where credit is due, then *expose the weaknesses.*

For there are, to be sure, plenty of blemishes. There is still the bottom 15 per cent or so of society that has not benefited from the spread of affluence. It would be much easier for Labour to make the case for a better deal for the poor and the disadvantaged if it were prepared to recognise that the basic economy is sound, since it could then argue that the means for redress are available.

To go back to the introductory points in this article, there is a great deal that Labour could say about the abuses in the City, about the way privatisation has been sometimes mishandled and the absence of a consistent mergers and monopolies policy.

The party could make the case for Britain becoming a full member of the European Monetary System, especially as it now seems to believe in it on certain conditions. Its economic spokesmen could have made a reasoned criticism of the Louvre Accord on exchange rates in February by saying that it did not go far enough, and then claimed credit for prescience. *Indeed they could do so still.*

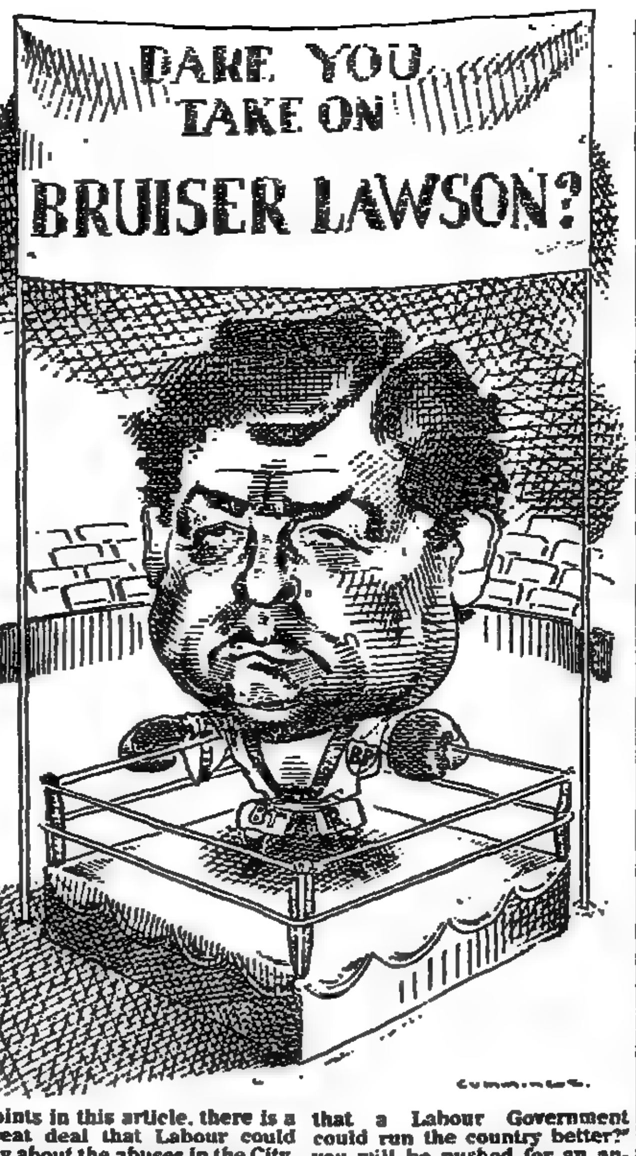
On all those subjects they would find a ready audience. Instead they are still caught in their own internal dilemma of how much of Thatcherism to accept, believing that sooner or later the electorate is bound to turn back to Labour. The present evidence for that is thin.

If you ask yourself the question "when did you last hear a serious statement from the Labour Party on economic policy of the kind that would suggest that a Labour Government could run the country better?" you will be pushed for an answer. It was probably not in the 1980s.

There is a large gathering of the far, hard and old left in Tony Benn's constituency of Chesterfield this weekend which is already being described as the alternative Labour Party Conference. It may turn out to be, as I rather suspect, the last strong kick of a dying horse.

But there is another way of looking at it. The far left may argue that what we have been witnessing this week is the col*lapse of capitalism and do so* persuasively enough to deter Neil Kinnock's Labour Party from making the intellectual jump to accepting the British economic position as it is: much better than it used to be, but still with gaps and capable of improvement.

If so, the party leadership will have only itself to blame for not making the jump earlier. And, whatever happens to the stock market, the Conservatives will look likely to go on, and on.



Lombard

Why the bulls are hopeful

BY RICHARD LAMBERT

EITHER THE sharp setback in share prices was a complete aberration and will soon be more *than recovered, or some of the* stock market's most valuable indicators may have to be thrown into the dustbin.

Most obviously under threat is the hemline indicator. This first showed its value in the 1920s: the flapper era lifted hemlines and share prices from the floor-touching days of the early 1920s, when the stock market was in deep recession. Markets and skirts drooped in the 1930s, picked up in the latter part of the War, shifted down with the "new look" of the 1950s, and positively soared during the 1960s.

The current reading is unequivocally bullish. My colleague Lucia van der Post writes:" From the Faubourg St. Honore to 5th Avenue, from Omote-Sando to South Molton Street, the message is the same - hems are going up, up, up. This time round, though, the mini is not just for little girls. The silhouette is slim, curvy and very, *very grown-up.*"

Nothing could be clearer than that.

Then there is the question of the New York Giants. For the last 20 years, there has been a *clear link between the results* of the Super Bowl and the stock market's performance in the following 12 months. When a National Football Conference Team wins, the New York Stock Exchange composite index ends the year with a gain. When a team from the American Football Conference takes the crown, the reverse happens.

There has, it is true, been the odd special case. For instance, the Pittsburgh Steelers, an AFC team, won the Super Bowl in 1975, a year when the US market rose by nearly a third. But then Pittsburgh had been part of the original National Football League that predated the NFC, so that did not count as a failing in the indicator. And few people doubt that the success of the Los Angeles Raiders in 1984 - the last one by an AFC team - played a considerable part in the dull performance of many share prices that year.So this year's victory of the Giants *seemed to assure a strong mar*ket in 1987.

(Apologists for the Super Bowl Indicator are already trying to suggest that the measure may have been thrown out of *true by the strike among* US football players. This really will not do: if the claim has any validity at all, which is doubtful, it will surely only apply to the market's performance in 1988.)

A third useful tool which is now in jeopardy is the Stonehouse, Glos, lagging indicator (generally known as the SGLI). This works on the principle that what the nation does today, Stonehouse does tomorrow. In other words, when Stonehouse buys its last Amstrad word processor, there will be no market left for the machines in the UK.

Clearly it would be a very adverse market signal indeed if the Co-op check out desk rang with learned discussions about the outlook for traded options, but nothing of this nature has been *observed* by *my* agent. True, there was a nasty moment two weeks ago when a conversation about "BP" was overheard at the Regent Street bus shelter. But on closer research, this *turned out to be a reference to* the founder of the Boy Scout movement.

In addition, there are several slightly ridiculous indicators which should probably not be *taken too seriously, but* which also seem to point in a generally bullish direction. For instance, there are those who believe fashions in the cinema should be tracked by stock market pundits. *They* claim that the more gruesome the film, the more bearish the signal - and vice versa. They point to the moment when Abbott and Costello met Frankenstein as a significant turning point in the 1940's, while the release of "The Texas Chain Saw Massacre" marked the market nadir in the 1970s. With "Snow White and the Seven Dwarfs" being reshown yet again in London, there should be no worries on this front.

What should clinch the argument one way or another is the latest reading on the Sunspot Indicator. Developed by a Japanese researcher, this shows an unmistakable correlation between the level of solar activity and of share prices. Unfortunately, my observatory has been *wrapped in cloud since* the storms started just over a week ago.

Letters to the Editor

Ranking the universities

From Dr C Mason.

Sir,- Michael Dixon's Lombard column (October 12) provides a weak riposte to those who criticised his earlier attempt to rank the performance of universities based on the proportion of their graduates who were not employed six months after taking their degree (September 9). His article does not establish any justification for ranking universities, and the parallel which he draws with companies is flimsy in the extreme. But even if a case for some form of ranking is accepted, Dixon fails to come up with any objective and rigorous methodology for doing so, rendering the title of his article ("How to rate the universities") totally misleading.

As a number of your correspondents have stated, ranking universities on the basis of the proportion of their new graduates in short-term work or not *employed represents a highly* inaccurate measure of performance. Differences in the subject mix of graduates influences their employment prospects. Even if superior data which overcame *this* difficulty were made available this would not address the many other differences between universities which influence the employment of their graduates. These include the course structure, type of student, location and perceptions of employers.

Indeed, the use of just one imperfect set of statistics, even if improved, to produce a ranking of universities produces a highly suspect, if not downright misleading, picture. In just the same way that the performance of companies is not judged by just one statistic, neither is it legitimate to compare universities by a single yardstick. Even more fundamentally, evaluations of company performance seek to relate outputs to inputs. *Similarly, in order to be mean*ingful, any ranking of universities must relate performance to inputs in order to reflect differences in resources, student quality, etc.

It is therefore not surprising that academics protest at efforts to assess university performance: the methodologies employed lack intellectual rigour (*qualities* that *society* expects universities to instill in their students). If universities are to be ranked according to their performance - and the case still requires to be made - it must be on the basis of a range of measures which relate outputs to inputs. Those who offer performance rankings based on inadequate statistics and flawed methodology leave their motives open to question: are they concerned to evaluate the performance of universities for constructive reasons in order to *bring all* up to the standard of the best, or is it to suport those who wish to contract the provision of higher education in the the UK?

(Dr) C M Mason,
13 Tanhouse Close,
Hedge End, Southampton.

Snakes and snares

From Professor L Pressnell

Sir,- May I assure Mr Prag (October 19) that my two letters reflected neither despair nor an assumption of British incorrigibility over exchange rate systems, but simply an awareness of past difficulties?

Janet Bush's excellent note, 'A troubled history of snakes and snares' (October 2), seemed to endorse a sobering assessment of experience. Perhaps *most of us could settle at that.*

(Professor) L S Pressnell,
Boundary House,
St Stephen's Hill,
Canterbury, Kent.

Russian reforms

From Nora Beloff.

Sir,- Looking regularly at your page one summary of world news, as a brief account of the principal events of the day, I was shocked at the inaccuracy (October 16) of the item entitled "Moscow to reform law" which read "The Soviet Union plans to change or abolish two of the main laws used against dissidents".

*As your correspondent re*ports on the next page, all that has happened is that Mr Vadim Zagladin, whose principal function is to polish the Gorbachev image in the west, has told US *senators* and *congressmen* on TV that discussions are going on about changing the principal laws legitimising repression and one of them may 'even' be dispensed with altogether.

If we are to take Soviet words at their face value, the laws in question are anyway invalid: they contradict the citizens' rights first laid out by Stalin in a constitution he *imposed dur*ing the height of the 1930s terror.

Nora Beloff.
11 Belsize Road NW6.

Deserves to be remembered

From Mr R Hopkinson-Woolley.

Sir,- Mr D Thompson (October 7) is mistaken: Mr Edward Heath was humiliated by the electorate, not the miners, when he made the mistake of trusting the voters in challenging circumstances.

Mr Heath had to fight to en*able us to join the EC* because previous administrations had been so pusillanimous when others were making their first steps to develop a united Europe. Mr Heath won the fight *and the Charlemagne prize for* his efforts.

It was later possible for a Labour administration to exact improvements by threatening withdrawal. Improvement because of *blackmail is not really* creditable. Had we joined Europe at the start the terms and the structure of the EC would have been better.

Would that Mr Heath had been Prime Minister sooner. He deserves to be remembered.

R A Hopkinson-Woolley,
45 Oakley Street,
Shrewsbury.

Charge for books

From Mr C Smith.

Sir,- The Arts *Minister's* call (October 14) for greater involvement of the private sector in the public library services is, unfortunately, fatally undermined by his insistence that the basic service (the monopoly supply of books for lending) is to remain free.

Even so, his Library Association audience is unhappy and the LA's professional spokesman threatens a fight on the question of charging for access to library services.

A recurring theme of the arguments offered by librarians is that the supply of library services must be available to all irrespective of income. Furthermore, that because some incomes are too low to pay for these services, they should be provided *"free" on the rates*, and not only to people with low incomes but everyone.

The proposition rests on the Victorian ideal of the public library bringing education to the artisans of the towns and labourers of the villages. The missionary purpose of the Victorian public library, however, has long since been rendered obsolete by universal compulsory education and the system is now in large part a vehicle for mass entertainment.

What the minister did not do,but should have done, was to embrace the spirit of radical reform (a suposed hallmark of this administration) and grasp the nettle of direct charging or subscription.

Many library services, such as the provision of records, already attract a charge while a further limited income is raised through fines and reservations. No breach of principle is therefore contemplated and a few pence per loan would, on the present level of borrowing, raise millions of pounds of additional revenue.

- A further point which is often raised, that a charge would deny equal access to the stock of books for low income groups, could be met without great administrative difficulty by directly topping up basic benefits.

*As a former professional li*brarian *myself, with some years* experience of local government, I fully recognise the important role which libraries play in fostering and encouraging the habit of reading. But the philosoph*ical objections of a professional* lobby ought not to take precedence over proposals for reforms which are now successful. They should certainly not prevail over Mr. Luce's extremely modest appeal for fresh thinking.

Colin Smith,
34 Greycoat Gardens,
Greycoat Place, SW1.

Middlesbrough blooming

From Mr D Simon.

Sir,- Alan Forrest writes (october 17) under the heading "Sports and Games" that Les Barlow on the PE staff at St Paul's in Barnes, west London "came south from Middlesbrough, the kind of place where it was hard to see a recreation ground through the industrial smoke."

It may interest readers and Mr Barlow to know that in 1987 the degree of polution in the Middlesbrough atmosphere is less, for example, than Southend-on-Sea, Bath and London City itself!

Readers may also be interested to know that Middlesbrough in 1982 won the National Floral City award of "The Britain in bloom contest" and in 1987 has already won the award in the northern region section.

I think you will agree that, in the light of the above, Alan Forrest's comments were "not cricket!" Would he like to come and see for himself?

David Simon,
Cedar Croft,
The Grove,
Marton-in-Cleveland,
Middlesbrough.

Majesty of the organ

From Mr G Garton.

Sir, - The majesty of the organ was recognised long before the appearance of the *pianoforte*, Mozart, (your correspondent of October 10) or Dominic Gill, (article of September 28). To quote the 14th Century poet and composer Guillaume de Machaut, the organ is "de tous instruments le roy."

Graham Garton,
(Director of Music),
St. Margaret's School,
Bushey,
Watford, Herts.

FINANCIAL TIMES

Friday October 23 1987

Tim Dickson reports on the dispute that toppled a government

Tongue-tied Belgian sparks debate

The apparently absurd antics of village mayor Jose Happart (right) represent the flashpoint of deeper fears, suspicions and grievances in a linguistically and culturally divided nation

BELGIUM'S bitter language dispute duly precipitated the collapse this week of the two-year-old, centre-right coalition government of Mr Wilfried Martens, Prime Minister.

But as subsequent developments have already shown, the forthcoming general elections, now likely in mid-December, will be fought on a much wider range of political, economic and cultural issues including, above the country's constitution.

Unhappily for Belgium's image abroad, the name of Mr Jose Happart, the village mayor who adamantly refuses to speak Dutch, has seldom been out of the headlines in recent weeks as the four coalition parties struggled vainly to head off the legal and political challenge which he represents.

Significantly, however, the problem of Les Foursons - or Voeren as his Flemish opponents would like the district to be called - has suddenly become a small sideshow in a much wider debate over how Belgium's fledgling federalist structures can be developed and how the country's two main communities - Flemish and Francophone - can and should co-exist in the future.

This is clear proof that Mr Happart and his apparently absurd antics represent merely the flashpoint of a whole range of deeper fears, suspicions and grievances in this linguistically and culturally divided nation.

Communal tension has been a constant in Belgian history since the state was established in the early 1830s. However, the problems have been greatly exacerbated since the Second World War when Flanders in the North started to enjoy a level of economic prosperity which neighbouring Wallonia in the south, burdened by a disproportionate share of heavy and declining industries, has signally failed to match.

Economic developments undoubtedly fuelled the pressure for a more federalist structure - implying the devolution of power to the regions - and the constitutional reforms of 1970 and 1980 that created the governments of Flanders, Wallonia and the region of Brussels were essentially attempts to satisfy that urge. Even at the time it was felt that these measures did not go far enough and that several outstanding issues - notably the status of Brussels (bi-lingual but 80 per cent Francophone), education and a clearer definition of the language laws - would sooner or later have to be sorted out.

The problem of the tongue-tied Mr Happart - and the passion that he has aroused among the Liberal and Christian Democrat coalition partners, each divided into separate Flemish and Francophone parties - has simply served to highlight the fact that this third stage in the reform process is now overdue.

It was Mr Martens' contention, as indeed it was that of his Liberal colleagues, that the Government's economic programme - notably budgetary cutbacks, fiscal reform and a mild dose of privatisation - should for the moment take priority over constitutional and community issues. However, while economic choices will obviously be put to the voter and will form a key element in the forthcoming campaign, most of the talk in Brussels at the moment is about the so-called Declaration of Revision to the Constitution.

Reaching agreement on what it would contain was the biggest challenge for the caretaker administration formed on Wednesday night by Mr Martens and comprising more or less the old team of ministers. Essentially, the Declaration is a list of the articles of the constitution which the next Parliament (to be elected in December) is allowed to discuss. It does not represent a programme of action, rather a setting out of what will be on the negotiating table.

The list contains issues like press freedom and greater civil liberties but one of the most contentious is likely to be education, divided in both communities between the state sector and the private (Catholic) school system. The negotiations this week between the various parties centred on the anxieties of the French-speaking Christian Democrats (the PSC) that any move to devolve education to the Walloon Regional Government could jeopardise the position of state funding for Catholic schools. Agreement to include the relevant article of the constitution in the Declaration was only achieved after the PSC was given the necessary assurances.

The important question, however, is whether significant constitutional reforms can now be achieved and whether the political instability which has been a feature of recent Belgian history can be brought to an end.

Optimists in Brussels hope that with the constitutional question firmly on the agenda - and thus a priority for the next Parliament - a whole range of issues can be addressed which will provide scope for compromise on all sides. The problem of what to do about Mr Happart could be sorted out in the context of more closely defining the use of languages in Belgium, an area with distinct patches of grey at the moment.

The realists point out, however, that under the constitution itself any changes have to be agreed by a two-thirds majority of both the Senate and the House of Representatives, while particularly sensitive and important matters need the consent of a two-thirds majority of each language group. That is a formidable obstacle and explains why there is some talk at the moment of a future three-way coalition between Christian Democrats, Liberals and Socialists (or six-way, if you take into account their separate halves).

The chances are that Mr Happart has not disappeared from the Belgian political scene - or that it will another apparently marginal and insignificant figure into prominence.

Optimism at US, Soviet Union arms talks

BY PATRICK COCKBURN IN MOSCOW

THE US and the Soviet Union said last night they had made progress at the start of two days of arms control negotiations in Moscow between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, the US Secretary of State.

The two sides are trying to agree on final details of a treaty banning medium and shorter-range nuclear weapons and to decide the date for a summit between Mr Mikhail Gorbachev, the Soviet leader, and Mr Ronald Reagan, US President.

Mr Charles Redman, the US State Department spokesman, said Mr Shultz and Mr Shevardnadze described the talks as 'constructive, problem-solving and that they thought we had made good progress in today's meeting."

The same optimistic note was expressed by Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, who added, however, that much would depend on the meeting today between Mr Shultz and Mr Mikhail Gorbachev, the Soviet leader.

The treaty would be the first committing the superpowers to cuts in their nuclear arsenals.

If it is completed during Mr Shultz's two-day visit, the accord will be signed at a summit between Mr Gorbachev and Mr Reagan.

The Soviet side has always said that Mr Gorbachev would not go to Washington for a summit unless there was a substantive agreement on arms control.

Mr Shultz, who leads a 100-strong negotiating team, will also try to bridge more serious differences between the two sides on the interpretation of the 1972 Anti-Ballistic Missile treaty and President Reagan's Strategic Defence Initiative (Star Wars).

Agreement on these two issues is critical for any treaty on a 50 per cent cut in the strategic nuclear missile forces

Mr Shultz and Mr Shevardnadze reached agreement in principle on the medium and shorter-range treaty during talks in September. The strong political momentum for a summit in both the White House and the Kremlin is likely to lead to final difficulties being ironed out.

Stewart Fleming reports from Washington that President Reagan was expected to be questioned about Mr Shultz's progress during the nationally televised press conference scheduled for last night.

Freeze farm export subsidies, says Hawke

BY WILLIAM DULLFORCE IN GENEVA

MR BOB HAWKE, the Australian Prime Minister, yesterday urged the US and the European Community to freeze their farm produce subsidies on exports.

The freeze would be an initial step in a three-stage programme to be submitted next week to the committee negotiating a reform of world agricultural trade in the General Agreement on Tariffs and Trade's (Gatt) Uruguay Round.

The plan is being put forward by 13 nations of the Cairns Group - an agricultural group formed last year under Australian leadership.

The plan raises again the demand for an "early harvest" from the talks, to be achieved by the end of 1988, Mr Hawke

The EC has doggedly resisted pressure for quick action and will instead table its own, more modest proposal next week.

However, Mr Hawke stressed the importance of early relief from the worst market subsidies for developing countries, which are strongly represented in the Cairns Group.

Countries with onerous debts could comfortably trade out of their problems, if they could get a fair return for their farm produce, Mr Hawke said. Argentina, Brazil and the Philippines are Cairns members.

The freeze called for in the group's programme would include an agreement not to release in ways likely to disrupt markets surplus stocks built up because of government support policies. The EC wants, as a first step, to reduce surpluses of cereals and dairy products through price supports. This implies some form of market sharing by big exporters.

In a second phase, the Cairns Group expects countries to roll back over 10 years all the government supports which it believes are the root cause of the current distortions to free world trade in agriculture.

This objective is close to the ambitious US proposal submitted to Gatt in July for the abolition of all farm trade subsidies by the end of the century. But the detailed Cairns plan spells out priorities and methods.

As a final step, the Cairns nations are seeking agreement on a long-term framework for world agricultural trade, which would guarantee access to markets for efficient producers.

Background, Page 7

Iran missile damages Kuwaiti oil terminal

Continued from Page 1

cause of its support for Iraq in the Gulf war and because it initiated the recent American military build-up in the region by seeking US protection for its tankers, lodged a formal diplomatic protest with Tehran.

A foreign ministry official was quoted by the Kuwaiti News Agency (KUNA) as saying: "It shows Iran's scheming insistence on drawing countries not parties to the conflict into the war, which Iran insists on continuing without regard to the security and peace of its people, people of the region and of the entire world."

The attack was particularly worrying for Kuwait because it reveals unexpected accuracy by Silkworm missiles. This implies that other economic targets in Kuwait - notably the Mina al-Ahmadi oil complex which serves as the hub of the emirate's oil industry - might well be within Iran's reach.

In Washington, American officials said they would not strike back against Iran. "It is not our policy. You know the rule. We protect US shipping and US forces," an official told reporters. American officials have said repeatedly that they are under no obligation to come to the defence of Kuwait, and Iran appears to have chosen not to hit a US target for fear of provoking stronger retaliation.

Mr Mir Hussein Moussavi, Iran's Prime Minister, said on Wednesday that his country would "call it quits" after retaliation for Monday's US bombardment of Iranian oil platforms.

However, the US is likely to come under intense pressure from Kuwait and some other Arab Gulf states to act to deter Iran from threatening them further.

The latest rise in Gulf tension caused a 10 cent rise in oil prices, with North Sea Brent crude closing in Europe at \$19.125 a barrel, and gold jumped \$4.75 to close at \$471.5.

Nick Bunker in London adds: Marine insurance underwriters in London yesterday raised by 50 per cent the minimum war risks premium rate for cargoes on ships travelling to Kuwaiti or north Saudi Arabian ports.

Underwriters said the move by the London war risks rating committee was a delayed response to recent Iranian attacks on tankers and was made before news arrived of the Iranian missile attack on the Sea Island oil terminal.

Yesterday's price increase - the first since September - puts the cargo war risks rate at 0.75 per cent.

Analysis, Page 4

European companies 'supplied technology to Soviets'

By Karen Fossli

SIX EUROPEAN companies, including one in the UK, illegally supplied sophisticated technology for a decade to the Soviet Union, helping it to produce nuclear weapons and upgrade naval equipment, a Norwegian police report alleged yesterday.

The report, drawn up after investigations into the export affairs of Kongsberg Vaapenfabrikk, Norway's state-owned arms-maker, also identifies Innocenti of Italy, Ratier-Forest of France, and three West German companies, including Schiess Machine Tool of Dusseldorf.

It alleges that all six companies co-operated with Kongsberg, now in the process of being dismantled, to export technology to the Soviet Union.

The allegations follow disclosures earlier this year that Kongsberg collaborated with Toshiba of Japan to supply the Soviet Union with computerised milling machinery. This allowed the Soviet Union to build submarines with quiet propellers which are difficult to detect.

The report also says that Kongsberg sold 139 numerical control systems to the Soviet Union and two to China. The technology gave the Soviet Union the ability to upgrade their control systems used in naval and nuclear equipment.

Yesterday, Mr Manfred Hanning, chairman of Schiess, said it was "absolute rubbish" to suggest that his company's sales helped Moscow's nuclear arms efforts. Sales to the Soviet Union during the 1970s of machine tools fitted with Kongsberg control systems complied with regulations drawn up by Cocom, the Paris-based Western export authority, and had been given export licenses from the West German authorities.

The French company Ratier-Forest went bankrupt in 1982. However, the French Foreign Ministry confirmed that the company had sold machine tools to the Soviet Union in violation of Cocom rules.

Finsider, the Italian state steel concern that owns Innocenti Santeustacchio (INNSE), the Milan-based company, confirmed that INNSE had exported heavily to the Soviet Union, but claimed there was nothing improper about the sales.

The other companies involved could not be reached for comment.

Washington reacted strongly to the disclosure of Kongsberg and Toshiba's illicit sales to the Soviet Union, which breached the Cocom rules.

Kongsberg and Toshiba have been temporarily barred from supplying technology to the US until officials decide whether to enforce a formal trade ban.

Prospects gloomy for BP issue

Continued from Page 1

mours that the BP issue underwriters were seeking an extension of the offer period in the hope this would provide more time for recovery.

This is understood to have been rejected because the closing date forms part of the underwriting agreement. To change it could throw the agreement open to renegotiation.

Institutional investors in the UK and overseas are resigned to taking up virtually the whole of their underwriting commitments. Analysts suggest that BP's price could suffer badly after the issue because overseas underwriters will offload unwanted stock into London.

It therefore appears that two of the issue's principal aims - to widen share ownership in the UK and to extend BP's international shareholding base - may remain unfulfilled.

Continuing stock market volatility has also prompted speculation that the £750m flotation of Eurotunnel, the Anglo-French Channel tunnel consortium, could be jeopardised.

However, Mr Alastair Morton, UK consortium co-chairman, yesterday firmly ruled out any postponement of the issue.

THE LEX COLUMN

A more orderly retreat

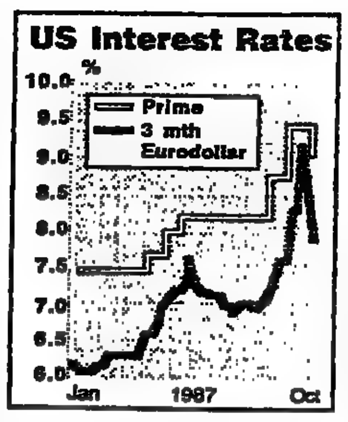
It is genuinely hard to know whether to take comfort or alarm from the behaviour of the equity market yesterday. In happier times a fall of 110 points would be horrible, even if 85 points above the worst. On the other hand, the worst was a level of 1,749 on the FT-SE100, compared with Tuesday's lowest of 1,748. It could just be that a floor is discernible at the 1,750 mark.

Then again, it might be that the market is able to stop itself only at big round numbers - at 300 points down on Tuesday, and 200 yesterday. The difference yesterday was that instead of being in free fall the market fought doggedly on the way down, producing a series of unsuccessful rallies before touching bottom. The result was an impression of reasoned retreat which was perhaps as worrying as the previous collapse.

In keeping with this was a divergence between stocks and sectors, though a clear pattern has yet to emerge. ICI took another hammering, falling by £1.20, but National Westminster Bank, having reached a point where the prospective multiple was under 4.5 times, actually rose on the day. Meanwhile BP, down to a desperate 283p, hung round the institutional neck like a millstone. Perhaps all those private investors reputedly clamouring to buy the market will go a stage further and apply for the issue, but it would not do to count on it.

London meanwhile remains sandwiched between Wall Street and Tokyo in a very uncomfortable way. Yesterday morning's fall in London was due both to the preceding weakness in Tokyo - followed through in London dealings of Japanese stocks - and the correct expectation of a weak opening in New York. Equities were preoccupied with events outside their time zone, unaffected by the rumours about interest rate cuts in the UK and Germany.

Not so gilts, whose rise was capped only by some judicious funding by the Bank of England. It may look odd to be taking liquidity out of the market when every other central bank is pumping it in, but there seemed a danger that gilts would over-excite themselves, possibly leading to a nasty reaction. Given the Bank's recent funding efforts it would probably be wrong to take the news as a signal that today's trade figures will be better than expected. There is even talk of a scarcity of gilts, should institutions now increase the fixed interest weighting of their portfolios just as the PSBR vanishes. This is reminiscent of the early days of the first Thatcher government - a real triumph of hope over experience.



Harris Queensway

The tale of woe at Harris Queensway seems to have as many episodes as Dallas. Yesterday's interim announcement carried the by now usual degree of drama in the news that full year profits will turn out at around £32m, the bottom of the £6m-wide range predicted in August. Even with the market crashing Harris' shares managed to underperform, falling 20 per cent to 122p.

It is tempting to argue that this must be the turning point, if only because it is hard to envisage what else could go wrong. Beset by problems, the new management seems at last to be tackling the most urgent ones. If these latest arrivals on the board prove to be more able retailers than the previous ones - and, one suspects, if Sir Philip Harris himself allows them to get on with it - they have a fair chance of sorting things out eventually.

But it will take quite a time. The Queensway outlets will not have the right merchandise in stock until next spring, thus missing the vital Christmas and New Year trade. Poundstretchers' debacle over Far Eastern clothing shows its buyers have a thing or two to learn. Rationalisation of some chains and expansion of others will meanwhile take two or three years. It might be better to get rid of the loss-making electrical chain now rather than spend valuable time getting it right. Fortunately the balance sheet looks in fair shape, even if cash flow is limited.

During all of this the management also has to regain credibility in the City. Without bid speculation or the prospect of more than a recovery to last year's profits next year spread across a much larger equity base, the 6.5 per cent yield is the only support for the shares. That may be little use in this market.

Hong Kong

It begins to look as if the first real signs of the financial damage caused by the collapse in worldwide share prices are going to surface in Hong Kong, where the authorities are racing against the clock to put together a rescue package before the local stock market reopens next Monday. It is clear that the suspension of trading had little to do with delays in processing the backlog of orders, but resulted from a crisis in the local stock index futures market. The contract on the Hang Seng index allowed investors to play the local stock market for next to nothing, and its popularity was reflected in a fifteen-fold rise in trading volume over the last year. The slump in share prices has therefore left many local investors badly exposed. Many who are long of the futures market cannot afford to pay their margin calls, and those who are short may not get paid. The hope is that world share prices will recover sufficiently to prevent the forced liquidation of positions. But this is beginning to look like wishful thinking, and the authorities now face the danger of a self-feeding financial crisis developing in the rest of the economy. Hong Kong is an extreme example of the problems which could surface in major financial centres unless care is exercised.

Banking alliances

There have been rumours in the past of mergers between European banks to help combat international competition from the Japanese and profit from the breakdown of financial barriers in the European community, and these are likely to gather pace following the news that Commerzbank of West Germany and France's Credit Lyonnais are considering taking stakes of up to 10 per cent in each other. There are plenty of obstacles to such a move, including the obvious fact that the French Government has still to decide whether Credit Lyonnais should be privatised. But it is an idea which could catch on if other banks want to strengthen their pan-European business connections.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	24	75	Dubrovnik	S	21	70	Malta	S	24	75	Rhodes	S	24	75
Algiers	F	24	75	Edinburgh	C	10	50	Manchester	S	10	50	Rio de Jo	-	-	-
Amsterdam	S	14	57	Faro	R	13	55	Manila	C	34	93	Rome	R	19	66
Athens	F	21	70	Florence	F	21	70	Melbourne	F	15	59	Salzburg	C	10	50
Bahrain	S	31	88	Frankfurt	F	12	54	Mexico City	S	25	77	San Francisco	R	21	71
Bangkok	S	31	81	Funchal	C	21	70	Miami	S	28	82	Seoul	S	13	55
Barcelona	F	18	64	Geneva	F	13	55	Milan	C	15	59	Singapore	F	29	84
Beirut	S	25	77	Gibraltar	F	19	66	Montreal	S	6	43	Stockholm	S	10	50
Belfast	F	8	46	Glasgow	F	9	48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14	57
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Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Dollar accord

Continued from Page 1

lar fell, one or several central banks would become uneasy. There would then be wider consultations - usually on the telephone - and if there was a shared perception that the Louvre accord was threatened, then they would agree joint action. Such intervention, however, was not an automatic response to an exchange rate passing a pre-fixed limit. "It is often the momentum, the speed of change that counts," the source added.

Bilateral accords between central banks involved fairly broad bands, which might not be exactly the same on each side. That was apparent earlier this year when Japan felt that the yen's appreciation was threatening the agreement, while the US believed that it was still within an acceptable range.

"If there is a band it is not 2 per cent, 3 per cent, or 4 per cent. It is wider," a source said. Equally, however, central banks might decide to intervene on the basis of smaller shifts in the dollar's exchange rate if they were particularly rapid.

The US had been especially reluctant to agree a formal set of target ranges for the dollar, but the issue had not been pressed

Markets

Continued from Page 1

and the inflationary pressure," said Ms Carol Stone, a senior economist at Nomura Securities.

World fixed interest markets had fallen sharply this year on fears about rising world inflation and offered a very attractive yield. Psychologically-battered investors who have seen their equity portfolios decimated this week are now looking for a less high-risk home for their money.

Having opened a touch lower, gilts took the lead from the positive start in US Treasuries

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday October 23 1987

US GROUP STAGES THIRD-QUARTER RECOVERY

BankAmerica returns to black

BY OUR FINANCIAL STAFF

BANKAMERICA, the struggling San Francisco-based banking group, yesterday reported a third-quarter profit and a reduction in its loan losses, loan loss provision and non-accrual loans from the previous quarter.

The company, which last week finalised a big capital infusion from nine major Japanese banks, reported a net profit of $54m, or 25 cents a share, in the quarter, compared with a loss of $23m, or 24 cents, a year ago.

In the second quarter, BankAmerica had suffered a loss of $1.14bn, or $7.40, mostly due to a $1.1bn special reserve against its Third World loan portfolio.

Net credit losses in the latest quarter dropped to $163m from $237m last quarter and $403m a year ago.

BankAmerica said it had taken a provision for loan losses equal to its actual losses in the latest quarter, at $163m, down from the record $1.34bn provision last quarter and from a $376m provision a year ago.

The provision put BankAmerica's reserve for loan losses at $3.26bn, or 5 per cent of loans outstanding, compared with $3.26bn, or 4.91 per cent on June 30, and $2.17bn, or 2.74 per cent a year ago.

Non-accrual loans on September 30 totalled $4.62bn, down from $5.04bn on June 30, but up from $4.05bn a year ago.

Total assets rose slightly in the quarter to $99bn from $97bn last quarter but were still well below the $114bn in assets a year ago.

First Interstate Bancorp, another West Coast banking group, posted an unexpected third-quarter loss of $74.9m, or $1.83 a share, against $89.3m profits, or $1.89, in the comparable period last year.

The group said the loss reflected a one-time $95m reserve set up to restructure the bank through asset sales and other actions. The continued high level of expenses associated with foreclosed property was another factor.

Early retirement of debt in the third quarter also added to losses, the group said, but the loss would be more than offset in subsequent quarters by savings on interest expenses.

First Interstate added $116m to its loan loss reserves in the quarter, against $150.5m for the corresponding period in 1986.

In the latest nine months the group's losses totalled $461.2m, or $9.88, compared with profits of $253.1m, or $5.4, last year. The allowance for loan losses on September 30 stood at $1.2bn, up from $521m a year ago.

First City Bancorp, the Texas bank which was rescued last month in a $1.5bn government bailout, slipped deeper into the red in the third quarter with a loss of $108.4m, or $3.38 a share, against a loss of $47.9m, or $1.56, last year.

Nine-month losses came to $269.3m, or $8.46, against $265.2m, or $8.44. As part of last month's bailout most of First City's poor-quality loans are being transferred to a separate bank account in a move designed drastically to reduce the need for quarterly loan loss provisions.

Strike hits output at Anglo American

By Jim Jones in Johannesburg

THE THREE-WEEK strike by black miners played havoc with underground production at Anglo American's principal gold mines in the September quarter, and the effects of the strike are expected to persist to a greater or lesser extent this quarter.

Worst affected was Western Deep Levels mine which suffered a 34 per cent drop in underground ore production against the June quarter.

The mine is particularly deep and its long-wall slopes, designed to advance almost non-stop to avoid collapse at the working face, suffered considerable damage.

Management says that full production will only be achieved this quarter. Western Deep's mill throughput for the September quarter was supplemented by drawing on surface ore stocks.

This has led some Johannesburg mining analysts to predict further difficulties over the Christmas period when large numbers of black miners take their holidays.

Generally, year-end underground production shortfalls are made up by milling ore which has accumulated on the surface, but analysts believe the mine will be unable to re-establish surface stocks fully before Christmas.

Freegold and Vaal Reefs, South Africa's largest and second largest gold mines, increased their gold recovery grades and partially offset losses in underground production.

Nonetheless, judging by the square metres mined in the June and September quarters, Vaal Reefs was almost entirely idled by the strike while Freegold's North division was similarly affected.

Seismic activity exacerbated the production losses at Elandrand.

TRI talks on Fermenta's assets deal break down

BY SARA WEBB IN STOCKHOLM

FERMENTA, the Swedish animal health and chemicals group, said yesterday that talks with Trans Resources Inc (TRI), the privately-owned US holding company, concerning the sale of Fermenta's assets had broken down, chiefly because TRI faced difficulties in raising the money for the deal.

TRI had wanted to acquire three of Fermenta's main business areas: SDS Biotech (the plant protection and animal health unit in the US), a 68 per cent stake in Pierrel (the Italian antibiotics and pharmaceuticals company), and Cedar Chemical (an agricultural chemicals unit).

Negotiations between Fermenta and TRI have been under way since the summer.

Fermenta said that TRI had proposed paying in the region of SKr1.3bn ($194m) for the assets, announcing last week that TRI would be prepared to pay entirely in cash.

However, Mr Bertil Holmberg, Fermenta's managing director, said yesterday that TRI's proposal was not sufficiently attractive "in all its different ingredients" and that negotiations between the two companies had been called off.

The main factor behind the collapse in the deal is that TRI faced difficulties in obtaining a loan to finance the deal, due to problems in the US bond market, Mr Holmberg said. He added that in principle Fermenta would have accepted a cash deal.

However, he denied that the collapse of the deal had anything to do with TRI's reputation or suspicions that Mr Refaat El-Sayed (the former chief executive of Fermenta who is now under investigation for alleged fraud and book-keeping crimes) was involved in the TRI deal in some way.

Mr Holmberg said that he was "certain" that Mr El-Sayed was not behind the deal.

Fermenta agreed last week to sell off its loss-making fermentation companies (apart from the one in Sweden) to Burns, Philp of Australia for SKr600m.

Singer suffers setback after costs increase

By Our Financial Staff

SINGER, formerly the world's biggest sewing machine manufacturer but which now concentrates on aerospace and marine electronic systems, reports third-quarter net earnings of $18.2m, or 80 cents a share, against $17.4m, or 77 cents.

But nine-month earnings of the US Stamford-based group, which spun off its furniture and sewing operations in July last year, totalled only $12.8m, or 43 cents, after taking a $45m pre-tax charge for higher than expected costs required to complete the development phase of three aerospace electronics programmes.

In 1986, nine-month profits amounted to $50.9m, or $2.34. This excluded a $31.6m gain from discontinued operations, a $27.2m charge from accounting changes and a $18m extradordinary credit.

Revenues in the nine months increased to $1.34bn from $1.23bn.

Chase plans to cut workforce by 1,000

BY ANATOLE KALETSKY IN NEW YORK

CHASE MANHATTEN, the second largest US bank group, has announced a plan to eliminate 1,000 jobs mainly in its US domestic operations. The bank also reported moderately higher underlying profits for the third quarter.

Chase earned $226m, or $1.56 a share, after tax in the quarter, against net profits of $138m, or $1.55, the year before. However, both figures were distorted by large special gains and charges, making an accurate comparison difficult.

The bank said that, excluding the various special items, earnings in the latest quarter would have been about $114m.

The previous year's results also included about $44m net in unusual gains less charges, suggesting a growth rate of about 14 per cent in the bank's underlying profits.

The special gains in the last quarter came from a $50m tax benefit connected with provisioning for Third World loans plus the purchase of annuity contracts to settle part of Chase's pensions obligations.

The change in pensions arrangements produced a net gain of $88m. Partly offsetting these benefits was a net charge of $28m for the costs of the job-elimination programme announced yesterday.

The job cuts, which will be introduced mainly through a voluntary early retirement programme, will bring to 5,100 the reduction in Chase's worldwide staff since the bank announced a major restructuring effort in July last year.

Since then, the bank has closed 50 branches in New York City, three in Maryland and two in Florida, as well as selling and closing operations in 18 countries.

Renault seeks to build stake in Mack trucks

By Our New York Staff

RENAULT, the French state-owned vehicle producer which recently withdrew from the US car market, has announced that it is seeking to increase its holding in Mack Trucks, the US maker of heavy trucks.

The French group, which earlier this year sold its controlling interest in American Motors to Chrysler, was said by Mack to be seeking to increase its 41.9 per cent stake in the company by a further 3 per cent.

The announcement is the latest in a string of stock purchases by companies in response to the collapse in Wall Street prices.

After six years of deep losses, Renault is due to report a solid profit for this year.

Renault search for new shareholders, Page 30

Buoyant Goodyear increases forecast

BY OUR NEW YORK STAFF

GOODYEAR, the world's largest tyre-maker, has reported a strong improvement in its profitability in the third quarter and increased its earnings estimate for the year to a record $7 a share, or about $400m.

The group, which restructured its businesses to fend off last year's takeover bid from Sir James Goldsmith, the Anglo-French financier, also confirmed that it had stopped seeking a buyer for its incomplete cross-country oil pipeline and would instead finish its construction.

The pipeline, from California to Texas, was ridiculed by Sir James as a costly diversification at the expense of Goodyear's tyre business.

Goodyear, based in Akron, Ohio, said it earned $178.7m, or $3.13 a share, in the third quarter, against $182.3m, or $1.68 a share, in the same quarter last year. However, the 1986 figures are flattered by a $113.1m special gain, against a gain of only $50.6m in the quarter just ended.

In addition, Goodyear's share count has halved because of its buyback of stock to thwart Sir James.

Sales were $2.48bn, an increase of 7.7 per cent over the $2.31bn of a year ago.

The group has enjoyed higher efficiency in its core tyre business, with operating income from tyres more than doubled on a 7.8 per cent increase in sales.

Net income for the nine months was $603.9m, or $9.78 a share, against $236.9m, or $2.18. Sales were $7.28bn against $7bn.

However, the 1987 figures include special gains from assets sold to finance the stock buyback.

Cessna rally boosts General Dynamics

By Our Financial Staff

GENERAL DYNAMICS, the major US defence contractor, has reported an 11.5 per cent increase in third-quarter net profits on improved results in its Cessna general aircraft unit and a lower income tax rate.

Third-quarter net earnings were $111.5m, or $2.62 a share, against $100m, or $2.34, a year earlier. Sales rose to $2.28bn compared with $2.21bn.

Net profits for the first nine months totalled $342m, or $7.99, against $273.6m, or $6.41, in 1986. Nine-month sales rose to $6.94bn from $6.51bn.

The results include gains of $2.1m, or 5 cents, and $1.6m, or 4 cents, for the prior quarter and nine months respectively from discontinued operations.

Cessna's operating loss narrowed to $1.6m on revenues of $95.2m.

NORTH AMERICAN QUARTERLY RESULTS

H.F. AHMANSON
Savings and loans

Third quarter	1987 $	1986 $
Revenue	27.5bn	27.4bn
Net income	40.3m	78.9m
Net per share	0.41	0.80
Nine months		
Revenue	–	–
Net income	185m	228.9m
Net per share	1.58	2.40

ALLIED BANCSHARES
Banking

Third quarter	1987 $	1986 $
Revenue	–	–
Net income	†104.2m	146.4m
Net per share	†2.81	†1.12
Nine months		
Revenue	–	–
Net income	†240.9m	121.7m
Net per share	6.80	10.52

† Loss

AVON PRODUCTS
Toiletries, cosmetics

Third quarter	1987 $	1986 $
Revenue	805.4m	690.9m
Net income	28.6m	30m
Net per share	0.37	0.42
Nine months		
Revenue	2.3bn	2.01bn
Net income	86.6m	86.5m
Net per share	1.28	1.28

BANC ONE
Banking

Third quarter	1987 $	1986 $
Assets	18.04bn	16.63bn
Op. net income	64m	52.9m
Net per share	0.55	0.57
Nine months		
Revenue	–	–
Net income	142.2m	153.3m
Net per share	1.48	1.64

BANCTEXAS GROUP
Banking

Third quarter	1987 $	1986 $
Assets	785.3m	1.27bn
Op. net income	†17.1m	†25.9m
Net per share	†1.33	†57.5
Nine months		
Revenue	–	–
Net income	†63.8m	†35.2m
Net per share	†12.74	†78.94

† Loss

BAXTER TRAVENOL LABORATORIES
Drugs, hospital equipment

Third quarter	1987 $	1986 $
Revenue	1.58bn	1.42bn
Net income	90m	51m
Net per share	0.31	0.18
Nine months		
Revenue	4.58bn	4.22bn
Net income	233m	129m
Net per share	0.79	0.42

BRISTOL-MYERS
Drugs

Third quarter	1987 $	1986 $
Revenue	1.39bn	1.28bn
Net income	200.2m	173.9m
Net per share	0.70	0.61
Nine months		
Revenue	4.04bn	3.63bn
Net income	535.8m	437.8m
Net per share	1.87	1.54

DENISON MINES
Mining

Third quarter	1987 C$	1986 C$
Revenue	110.3m	97.6m
Net income	†45,000	4.5m
Net per share	†0.14	†0.07
Nine months		
Revenue	330.3m	293.3m
Net income	9.9m	14.9m
Net per share	†0.26	†0.17

† Loss after preferred dividends

DOMINION RESOURCES
Utility holding company

Third quarter	1987 $	1986 $
Revenue	960.2m	824.7m
Net income	144.6m	127.3m
Net per share	1.62	1.37
Nine months		
Revenue	3.26bn	2.94bn
Net income	485.9m	372.1m
Net per share	4.62	4.05

FIREMAN'S FUND
Insurance

Third quarter	1987 $	1986 $
Revenue	987.8m	986m
Net income	238.2m	62.8m
Net per share	3.71	0.85
Nine months		
Revenue	3bn	2.7bn
Net income	387.2m	146m
Net per share	5.66	2.24

GTE
Telecommunications

Third quarter	1987 $	1986 $
Revenue	3.91bn	3.76bn
Net income	297m	325m
Net per share	0.85	0.95
Nine months		
Revenue	11.3bn	11.1bn
Net income	735m	916m
Net per share	2.30	2.74

GENERAL SIGNAL
Electronics, electrical equipment

Third quarter	1987 $	1986 $
Revenue	398m	391m
Net income	18.9m	16.8m
Net per share	0.67	0.85
Nine months		
Revenue	1.16bn	1.2bn
Net income	46.2m	55.9m
Net per share	1.70	1.98

GOTAAS-LARSEN
Shipping

Third quarter	1987 $	1986 $
Revenue	68.6m	41.9m
Net income	11m	3.5m
Net per share	0.30	0.12
Nine months		
Revenue	160.1m	126.2m
Net income	51.1m	40.1m
Net per share	1.38	1.08

INGERSOLL-RAND
Compression equipment

Third quarter	1987 $	1986 $
Revenue	831.1m	844.8m
Net income	22.3m	20.2m
Net per share	0.41	0.39
Nine months		
Revenue	1.9bn	2.03bn
Net income	64.3m	59.8m
Net per share	1.18	1.13

KELLOGG
Breakfast cereals

Third quarter	1987 $	1986 $
Revenue	1.01bn	889.8m
Net income	119.3m	102.8m
Net per share	0.98	0.83
Nine months		
Revenue	2.85bn	2.52bn
Net income	313.8m	248.5m
Net per share	2.53	2.01

LOUISIANA-PACIFIC
Forest products

Third quarter	1987 $	1986 $
Revenue	531.8m	407.4m
Net income	42.9m	22.2m
Net per share	1.11	0.58
Nine months		
Revenue	1.44bn	1.12bn
Net income	98.7m	48.1m
Net per share	2.45	1.27

MELVILLE
Speciality retailer

Third quarter	1987 $	1986 $
Revenue	1.36bn	1.26bn
Net income	51.66m	47.32m
Net per share	0.95	0.87
Nine months		
Revenue	3.72bn	3.48bn
Net income	123.47m	104.62m
Net per share	2.27	1.93

NALCO CHEMICAL
Chemicals

Third quarter	1987 $	1986 $
Revenue	216.9m	194.6m
Net income	28.3m	16.7m
Net per share	0.51	0.42
Nine months		
Revenue	611.2m	567m
Net income	58.3m	47.6m
Net per share	1.47	1.21

NORTHROP
Defence and aerospace

Third quarter	1987 $	1986 $
Revenue	1.46bn	1.26bn
Net income	34.1m	†20.3m
Net per share	0.73	n/a
Nine months		
Revenue	4.2bn	3.95bn
Net income	58.3m	31.9m
Net per share	1.27	0.68

† Loss

OLIN
Chemicals, metal products, ammunition

Third quarter	1987 $	1986 $
Revenue	468.5m	411.7m
Net income	14.9m	8.8m
Net per share	0.64	0.40
Nine months		
Revenue	1.43bn	1.33bn
Net income	61.6m	67.8m
Net per share	2.64	2.96

PUBLIC SERVICE ENTERPRISE
Utility holding company

Third quarter	1987 $	1986 $
Revenue	1bn	1.06bn
Net income	159.3m	174.9m
Net per share	0.75	0.87
Nine months		
Revenue	3.2bn	3.4bn
Net income	443m	483.0m
Net per share	2.16	2.38

QUAKER OATS
Cereals and processed foods

First quarter	1988 $	1987 $
Revenue	1.27bn	909.3m
Net income	41.1m	33.2m
Net per share	0.52	0.42

RYDER SYSTEM
Trucking

Third quarter	1987 $	1986 $
Revenue	1.16bn	976.6m
Net income	52.7m	47.7m
Net per share	0.65	0.63
Nine months		
Revenue	3.28bn	2.75bn
Net income	141.4m	117.9m
Net per share	1.73	1.54

SCHERING-PLOUGH
Pharmaceuticals

Third quarter	1987 $	1986 $
Revenue	694.2m	600.6m
Net income	73.6m	62.3m
Net per share	0.53	0.56
Nine months		
Revenue	2.04bn	1.80bn
Net income	261.2m	205.9m
Net per share	2.06	1.57

SCOTT PAPER
Paper products

Third quarter	1987 $	1986 $
Revenue	1.03bn	919.7m
Net income	66.5m	38.2m
Net per share	1.82	1.02
Nine months		
Revenue	3.02bn	2.48bn
Net income	163.3m	133.6m
Net per share	4.34	3.88

SMITHKLINE BECKMAN
Pharmaceuticals

Third quarter	1987 $	1986 $
Revenue	1.10bn	965.4m
Net income	146.6m	134.9m
Net per share	1.18	0.97
Nine months		
Revenue	3.13bn	2.70bn
Net income	426.1m	373.7m
Net per share	3.28	2.42

SQUIBB
Pharmaceuticals

Third quarter	1987 $	1986 $
Revenue	581.3m	460.5m
Net income	103.2m	83.9m
Net per share	1.04	0.78
Nine months		
Revenue	1.58bn	1.27bn
Net income	273.8m	205.6m
Net per share	2.81	1.91

SUNDSTRAND
Aerospace, vehicle parts

Third quarter	1987 $	1986 $
Revenue	334.4m	348.8m
Net income	14.44m	30.00m
Net per share	0.77	1.67
Nine months		
Revenue	987.4m	1.04bn
Net income	46.0m	69.93m
Net per share	2.40	3.84

TRW
Aerospace, electronics

Third quarter	1987 $	1986 $
Revenue	1.7bn	1.43bn
Net income	63.2m	40.5m
Net per share	1.04	0.67
Nine months		
Revenue	5.08bn	4.48bn
Net income	176.5m	172.7m
Net per share	2.91	2.88

TRIBUNE
Diversified media

Third quarter	1987 $	1986 $
Revenue	535.0m	490.7m
Net income	33.09m	122.46m
Net per share	0.42	1.52
Nine months		
Revenue	1.59bn	1.49bn
Net income	98.32m	271.31m
Net per share	1.24	3.35

TEXAS EASTERN
Natural gas pipeline

Third quarter	1987 $	1986 $
Revenue	–	–
Net income	1.6m	18.2m
Net per share	0.03	0.36
Nine months		
Revenue	–	–
Net income	64.7m	*23.5m
Net per share	[illegible]	*0.44

* Loss

UNION CAMP
Forest products

Third quarter	1987 $	1986 $
Revenue	583.2m	515.8m
Net income	56.5m	38.4m
Net per share	0.77	0.58
Nine months		
Revenue	1.65bn	1.57bn
Net income	148.5m	97.1m
Net per share	2.08	1.39

INTL. COMPANIES & FINANCE

Salomon collapses in third quarter

By James Buchan in New York

SALOMON, the large Wall Street investment firm that is struggling to regain control of its sprawling business, yesterday reported a collapse in earnings in the quarter to September due to weak revenues and higher costs in its securities trading operation.

The company, which last week announced deep cuts in worldwide staffing and operations of its Salomon Brothers securities subsidiary, reported net income of $27m or 18 cents a fully diluted share in the third quarter, against $128m or 82 cents a share in the 1986 September quarter.

The result is Salomon's sixth consecutive decline in earnings in year-on-year comparison.

For the first nine months, Salomon reported net income of $216m or $1.40 a share, which was under half the comparable 1986 result of $435m or $2.79 a share.

Mr John Gutfreund, chairman of Wall Street's largest firm, said earnings were held back by volatile bond markets, higher costs and the diversion of management time to a strategic re-appraisal of the business.

"Although conditions in fixed income markets were somewhat less volatile in the period than in the second quarter, they still reduced financial activity on the part of investorsand issuers," he said.

Revenues were down 4.6 per cent at Salomon Brothers.

But expenses were up more than 8 per cent, partly because of the firm's ambitious expansion in London and Tokyo.

Mr Gutfreund said that the re-appraisal, which would lead to the abandonment of some markets and a cut of about 800 jobs, "will have a significant impact on future results."

Renault to start search for partners

By George Graham in Paris

RENAULT, the French state-owned car manufacturer, is to begin its search for new shareholders and industrial partners in the wake of the financial restructuring agreed this week by the Government.

Mr Jacques Chirac, the Prime Minister, will introduce legislation on Wednesday to return Renault to the status of an ordinary company, without the unlimited guarantee of the state.

The Government will, at the same time, wipe out FFr12bn ($1.98bn) of the group's state debt, but has said that this is the last cash injection it will give to Renault.

The debt write-off is, however, less than Mr Raymond Levy, Renault's chairman, had hoped for and will still leave the company with a debt burden of FFr46bn.

Renault's access to the financial markets is limited, as it wants to reduce this debt level, and it will therefore seek industrial partners who can provide it with capital resources.

Up to 10 per cent of the company's capital is also expected to be opened up to employees by the end of 1989.

Once the car maker has returned to normal company status - probably in January or February next year - it would legally have up to two years to restore its net asset value, negative by FFr16.4bn at the end of 1986, to the black.

In fact, the group is expected to have reached break-even or a slightly positive net asset value by the end of this year, thanks to the FFr12bn of debt write-offs, about FFr1.5bn of extraordinary gains resulting from a harmonisation of its depreciation accounting, and above all from the FFr3bn of profits it is expected to make this year - the first after six years of losses.

Renault had hoped, however, for an additional cash injection at the time of the restructuring from the state, which has committed up to a third of receipts from its sell-off programme to increasing the capital of state-sector companies.

Mr Levy has been angered by the vigorous campaign, punctuated with veiled resignation threats, led by Mr Jacques Calvet, chairman of Renault's domestic rival Peugeot, to limit the amount of fresh cash given by the Government.

Commerzbank considers Credit Lyonnais stake

BY ANDREW FISHER IN FRANKFURT

COMMERZBANK, one of West Germanys' three big commercial banks, is considering taking a 10 per cent share in Credit Lyonnais when the French bank is privatised.

Mr Walter Seipp, chairman of Commerzbank, said the German bank aimed initially to take a 2 or 3 per cent stake on privatisation and later build up to 10 per cent.

The French bank, he said, was also considering taking a similar stake in Commerzbank to extend their present co-operation through the Europartners grouping.

This includes Banco Hispano Americano, in which Commerzbank has a 10 per cent shareholding, and the state-owned Banco di Roma. The timing of the French bank's privatisation is not yet clear, however.

A 10 per cent stake would cost Commerzbank between DM500m and DM1bn ($555m), banking sources estimate.

The co-operation within Europartners mainly concerns customer and technical services.

The stakes contemplated by Commerzbank and Credit Lyonnais would be in line with the planned move within Europe to a full common market in 1992.

In Paris, Mr Seipp also said that the German bank hoped for a "very satisfactory result" this year.

It would be somewhat lower than the record level of 1986. Interest and commission income had risen, but so had staff and other costs.

Helping profits this year would be proceeds from the placement of shares in the German Linotype company and the holding in the Sachs motor components concern.

Commerzbank had also increased its investment activities and intended to start its own investment bank in New York. At present, it operates there through a subsidiary jointly owned with Credit Lyonnais.

George Graham adds from Paris: Credit Lyonnais is one of the keenest companies to be next on the privatisation list in France, but it has by no means won the selection battle against Banque Nationale de Paris, larger and, in the opinion of many analysts, financially sounder.

Mr Edouard Balladur, the French Finance Minister, has said he wants to privatise one of the remaining nationalised banks by March next year, if market conditions permit.

The privatisation programme has, however, been set back by the turmoil in the stock markets this week.

The minister has already announced the postponement of the planned privatisation of Matra, the defence and electronics group, and of the sale of part of the state's shares in Air France, the national airline.

Commerzbank, as an existing partner, might apply for a stake in the "hard core" of friendly shareholders chosen by the Finance Minister before each privatisation to protect the company against raiders.

These stakes are usually limited to a maximum of 4 to 6 per cent, however.

Girozentrale plans share issue to raise Sch200m

BY JUDY DEMPSEY IN VIENNA

GIROZENTRALE, Austria's second-largest bank, will for the first time issue participation shares as part of the bank's plans to raise its share capital.

The first tranch of shares, worth a nominal value of Sch200m ($15.7m), will be offered to the public between November 4 and December 11.

The nominal value of each share is set at Sch100. The issue will be priced at Sch300 per share.

Unlike the other Austrian banks, which are state owned with some facing partial sell-off as part of the Government's privatisation programme, Girozentrale is owned by the country's 126 saving banks. Until now, Girozentrale has not been listed on the Vienna Stock Exchange.

Depending on the response to the launching of these participation shares, which will be available to foreign investors, Girozentrale plans to launch a second tranche, probably in early 1988.

Nordstjernan earnings double after reshape

BY SARA WEBB IN STOCKHOLM

NORDSTJERNAN, Sweden's largest privately owned company which has interests in construction, specialty steel, shipping, retailing, engineering and services, reported that eight-month profits had more than doubled.

The group has been extensively restructured and all areas reported higher earnings apart from shipping - where the previous year's figures had been boosted by capital gains from the sale of ships.

Eight-month profits (after financial items) reached SKr373m ($58m), compared with SKr172m last year. Nordstjernan expects the improvement to continue with full-year profits exceeding last year's SKr406m.

Group sales totalled SKr10.52bn, up 7 per cent on last year - or 5 per cent for comparable units.

Avesta, the specialty steel company, showed a 67 per cent increase in profits after financial items at SKr204m, while sales rose by 15 per cent to SKr3.875bn.

Munich Re lifts dividend

MUENCHENER Rueckversicherungs-Gesellschaft (Munich Re), the largest West German reinsurance company, is increasing its dividend on the 1986-87 business year to DM10 from DM9, Our Financial Staff writes.

Munich Re has paid a constant dividend of DM9 a share virtually since the end of the Second World War. Only in 1970-71 was the payout cut below this level.

The raised dividend reflects higher profits for the year to the end of June. Munich Re posted a net profit of DM56.6m ($31m) in 1986-87.

The company expects its results in the current business year, which ends on June 30 1988, to match earnings in the 1986-87 period.

Tjaereborg to split into separate units

By Our Copenhagen Correspondent

A BIG reconstruction of Denmark's Tjaereborg travel organisation, Tjaereborg Gruppen - which includes the charter airline Sterling Airways, the Tjaereborg travel agency, airline catering services, time-sharing projects in Spain and a hotel chain in Austria - has been announced.

Mr Leif Krogager, founder of the travel group which first offered sun-starved Danes cheap packages to Spain in the 1950s, said he planned to hive off Tjaereborg into three separate units.

Sterling Airways, which carries about 800,000 passengers a year to charter destinations in southern Europe for Tjaereborg and other travel agencies, is to be sold to a group of Danish and Swedish investors headed by Mr Ejnar Lundt, a former Sterling Airways pilot and the airline's present administrative director.

The Copenhagen-based Aerochef airline catering organisation is to be sold to an as yet unnamed British group, while the travel bureau, Denmark's second-largest package tour operator, is to be reorganised and sold to a new management headed by its managing director, Mr Jens Veino.

The sale price for the entire deal has not been officially revealed, but analysts here put it at about DKr1bn ($144m). The Tjaereborg group is estimated to have an annual turnover in the region of DKr3.5bn, half of this figure coming from Sterling Airways.

Scandinavian Airlines (SAS) and A.P. Moeller, the Danish shipping, oil and gas prospection and industrial concern, had both earlier expressed interest in acquiring Tjaereborg.

Philips takes 98% of US subsidiary

PHILIPS, the Dutch electronics group, has received tenders for 11.8m shares of North American Philips of the US, Our Financial Staff writes.

It now owns 98 per cent of the total 29m issued and outstanding shares of its US consumer electronics subsidiary. Meanwhile, a public offering of 15m shares of Polygram, Philips' fully owned subsidiary, has been postponed following this week's turmoil on Wall Street.

INTERNATIONAL COMPANIES & FINANCE

Impala Platinum to raise R300m

By Jim Jones in Johannesburg

IMPALA PLATINUM, South Africa's second largest platinum producer, is to raise R300m ($146.5m) from shareholders to help finance a new R406m mine.

Construction is due to start early next year, with the first metal to be produced early in 1990. Production is scheduled to reach 100,000 ounces of platinum a year by early 1991.

In Johannesburg yesterday, Mr Don Ireland, Impala's managing director, declined to disclose details of planned ore production rates and operating costs. He said, however, that, based on a platinum price of $460 an ounce assumed to increase in line with inflation, the investment in the mine was expected to generate an internal real rate of return of 8 per cent. The dividend yield to shareholders would be less than this.

The new mine, to be called Karee, lies between Rustenburg Platinum's Rustenburg mining section and Lonrho's Western Platinum mine. As it is not adjacent to Impala's mining operations in the black homeland of Bophuthatswana, its capital cost cannot be set off against Impala's current mining profits.

Karee is estimated to have about 130m tonnes of Merensky reef reserves containing an average of 5.5 grams per tonne of combined platinum group metals. A further 180m tonnes of ore are estimated on the UG2 reef grading an average of 5.3 g/t.

Initially, production will come from shallow declines sunk from the surface to exploit the UG2 reef. But, within two years, output is planned from a vertical shaft sunk in the central part of the mine where grades are richer than the average.

Mr Ireland said yesterday that Impala's customers had indicated they would buy the additional metal and added that Karee's production would eventually be raised to 300,000 oz a year to make good declines at Impala's existing mines.

Details of the issue are expected to be disclosed in November. The issue will consist of a new "S" ordinary shares, which are differentiated from the existing ordinaries as the Comprehensive Anti-Apartheid Act prevents American investors from investing in new South African shares.

Chris Sherwell on the outlook for a Brisbane-based mining house

Hilton looms tall in MIM strategy

THEY CALL it the Mount Isa Hilton, but there's no mountain and it's not a hotel. It is an underground mine being developed in the sweaty heart of Queensland, near a town with boundaries the size of Switzerland.

It is also a major hope of the future for MIM Holdings, the Brisbane-based international mining house whose existing operation at Mount Isa, even after 60 years, is the world's largest single mine producer of silver and lead and one of the top five for zinc and copper.

A senior MIM geologist says: "For anyone else the Hilton would be a bonanza. Next to the Mount Isa mine, it is simply another remarkable resource."

The Hilton deposit has 8m tonnes of proven silver, lead and zinc ore reserves, and 41m tonnes of probable reserves. By comparison the Mount Isa mine has 42m tonnes of proven silver, lead and zinc ore reserves, and 5m tonnes of probable reserves.

Happily for the 27,000-strong Mount Isa community, the Hilton is only one of MIM's causes for optimism about the future. Deeper, beneath the present mine which dominates the town, is a vast copper resource equalling the deposit which has been mined so productively since the 1950s.

MIM's total proven reserves of copper now amount to 65m tonnes. Probable reserves are put at 60m tonnes, with a further 22m tonnes of possible ore. The mine has already processed some 113m tonnes of copper ore.

Then there are MIM's moves to become involved in the marketing and trading of metals, as well as their extraction. Through its links with Asarco of the US, Cominco and Teck of Canada, and Metallgesellschaft of West Germany, this expansion has given the group global significance.

According to Warburg Securities, MIM and its partners now have influence over 26 per cent of the free world's lead production, 24 per cent of silver, 21 per cent of zinc and 13 per cent of copper.

Over in the Northern Territory, moreover, at MacArthur River, MIM has another deposit of silver, lead and zinc. At more than 250m tonnes, it is far bigger than either the Mount Isa or Hilton mines. Although the ore itself is so fine-grained it needs a new technology to exploit it, MIM is in the process of selecting a partner to help develop the resource.

The group has also sought to diversify its activities outside base metals. In the early 1980s it invested A$1.3bn (US$928.5m) in large-scale coal production at three open-cut mines in Queensland with a capacity of 10m tonnes a year. MIM's coal revenues are currently the same or larger than those from copper, silver, lead and zinc.

In gold, MIM has a one-third interest (with Renison and Placer Pacific) in the large Porgera mine in Papua New Guinea, which will produce more than 800,000oz of gold a year in its first five years of operation after 1991.

The group's Papua New Guinea gold interests are shortly to be floated in a new company called Highlands Gold. In Australia, where its interests are contained in a subsidiary, Carpentaria Gold, MIM has announced the development of a second mine and an overall target output of 55,000oz a year by 1988.

Despite all these notable developments, MIM has something of a mixed image among investors, especially in Australia, where some 80 per cent of its shareholders reside.

One common complaint is that the group's achievements in mine development and technology have come at the expense of modern management and skilful adjustment to the vagaries of the market.

MIM, it is said, was mistaken to move into coal, has taken on too much debt and has suffered unnecessarily badly from the low metal prices of recent years.

Few doubt MIM's mining prowess. One has only to see the 270 vehicles running around 465km of tunnels in the Mount Isa mine to appreciate the achievement represented by its development.

Mount Isa – the world's largest single mine producer of silver and lead and one of the top five for zinc and copper

Without the large-scale open-stoping underground mining technique developed at Mount Isa, the mine would not be what it is today. The group also believes it has a winner with its new "Isasmelt" refining process for lead and copper.

The coal picture, on the other hand, is undoubtedly a worry, just as it has been for other Australian resource companies like CSR. Markets for coking coal and steaming coal are over-supplied because of cuts by steel users and new competition from South Africa and China.

The impact on MIM is demonstrated by the fact that an increase in the coal price of US$1 per tonne would boost the group's annual sales by A$14m.

This sensitivity is just as marked with the metals. An increase of one US cent per pound in the world price of copper would add A$6m to annual revenues. For lead and zinc the figures are A$5m and A$4m.

This helps to explain the volatility of MIM's share price and its high trading volumes. The company offers a reliable way for investors to secure exposure to the metals markets. But such vulnerability is a problem, and one which is exaggerated further by movements in the Australian dollar's exchange rate.

Generally speaking, the group gains more through the revenue effects of a weakening Australian dollar than it loses in import costs and debt repayments.

But poor metals and coal prices undermined these gains as the Australian dollar weakened in 1985 and 1986. Similarly, although copper, lead and zinc prices have improved in recent months, the currency has strengthened.

To compound the difficulties, a new accounting standard, obliging companies to recognise unrealised foreign exchange losses in the profit and loss account instead of amortising them, caused MIM to write off A$545m in the most recent financial year.

To Sir Bruce Watson, MIM's 59-year-old executive chairman, the change is inappropriate for a company with a natural hedge of overseas revenues to offset its foreign borrowings and with a strong cash flow.

As for the debt picture, this has improved, thanks to two successful issues of subordinated convertible bonds in May. Attractive because they could be converted into shares, these raised US$125m and A$125m, and were used to reduce borrowings.

Total debt has been reduced from A$2.1bn in June last year to some A$1.7bn currently. Sir Bruce says he would like to see the figure down to A$1bn.

He would also like to see a reduction in state government charges, especially in freight, so that the group's international competitiveness might be further improved.

In productivity terms, on the other hand, the improvement is clear. Compared to 20 years ago, MIM is producing more than twice the copper, three times the lead, three times the silver and 10 times the zinc

First-half advance in profits at Kao

By Stefan Wagstyl in Tokyo

KAO CORPORATION, a leading Japanese maker of detergents, cosmetics and disposable nappies, yesterday announced a 19 per cent increase in interim pre-tax profits to Y14.22bn ($98.3m).

Turnover in the six months to the end of September rose by 11.5 per cent to Y236.5bn, thanks in part to strong sales of Attack, a biological washing powder which is winning market share from conventional detergents. Sales of Sophina face creams and of disposable nappies were also up sharply. Higher sales resulted in improved operating margins, which also benefited from lower commodity chemical costs.

Kao is raising its interim dividend from Y3.75 to Y4.10 a share and forecasts a Y8.20 payout for the year. The group estimates profits for the full year will be 16 per cent higher at Y30bn on sales of Y485bn, an increase of 10 per cent.

Kubota to buy US computer group stake

By Our Financial Staff

KUBOTA, Japan's leading maker of agricultural machinery, is diversifying further into high technology with a $25m investment in a US project to develop what it said would be a high-speed next-generation computer.

It will take a 20 per cent stake in Mips Computer Systems, a venture company set up by scientists including professors from Stanford University. Mips has specialised in the design of central processing units for use by engineers and industrial designers.

Kubota, a key supplier to the Japanese engineering and contracting industries through its iron pipes and building materials divisions, will have exclusive sales rights in the Far East and South-East Asia for the 32-bit computer.

In addition it will next year become the Japanese manufacturer of the existing Mips computer range. The direct investment in Mips, totalling $22.6m, will make it the company's largest shareholder.

Deborah Hargreaves on the Chicago Mercantile Exchange's technology link with Reuters

Mixed response to black box trading

"THE FUTURE of futures," Mr Leo Melamed, special counsel to the Chicago Mercantile Exchange, triumphantly declared when he unveiled the exchange's planned electronic tradingsystem over a month ago. But not everyone in Chicago's tight-knit futures and options community shares Mr Melamed's evident enthusiasm for black box trading.

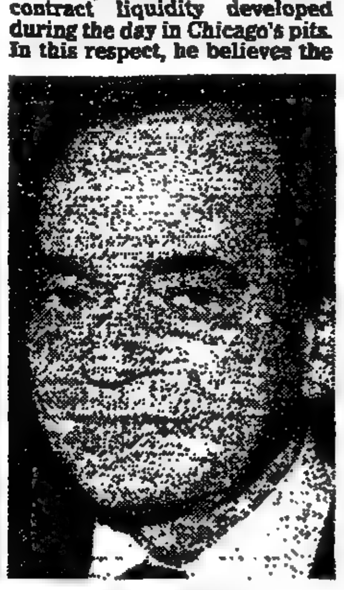
Mr Melamed calls the CME's agreement with Reuters, led by Mr Glen Renfrew, a "marriage of technology to open outcry." The offspring, to be called the Post (Pre) Market Trade system, is a screen-based trading system which will function during the hours of the day that the CME's pits are closed.

Under the agreement, an automated dealing system being developed by Reuters will be used for out-of-hours trading. The CME will have exclusive rights to the system for all itscontracts, but Reuters may also reach similar agreements with other markets in contracts which are not competing with the CME's.

The precise mechanisms and regulatory implications of the arrangement have still to be gone into. But it has set exchanges of all kinds around the world thinking about how best they should compete for business in markets which - as this weeks events have shown - are more than ever global in nature. Competitors such as London's International Commodities Clearing House see new prospects for automated trading systems which they have developed.

An alternative route to capturing the global market is through links between exchanges. But these have proved very difficult to establish and to have limited, if any, success, when they have been. The CME itself has implicitly acknowledged this with its Reuter link, since it was the Merc itself which established a pioneering link with the Singapore International Monetary Exchange.

The implications for the futures trading community are enormous. In spite of an endorsement of the Reuter agreement by CME members in a six-to-one vote earlier this month, some are still fearful that it will presage round-the-clock electronic trading, thus ending the time-honoured face-to-face open outcry system.

Mr Glen Renfrew, managing director of Reuters, and Mr Leo Melamed, special counsel to the Chicago Mercantile Exchange

The move towards a 24-hour, global marketplace in the futures industry is just one of the issues the exchange faces. The new system, which is slated to start up in 1989, is its response to a number of concerns including increased automation in the industry and the growth of off-exchange products. "We could ignore technology and become a dinosaur," Mr Melamed cautions.

However, Mr Melamed says he is not advocating the replacement of open outcry with a black box. He sees the new system augmenting the existing contract liquidity developed during the day in Chicago's pits. In this respect, he believes the exchange has a valuable product. "We have the huge liquidity and open interest here in Chicago to create a basis for our market worldwide," he said.

On the other hand, many industry observers believe the development of electronic trading does indeed herald the slow demise of open outcry. "There is no question that within 10 years everything will be done on computer,"+ forecasts Mr David Isbister, a CME local.

Previous attempts to move futures trading onto a computer screen have met with less than overwhelming success. Bermuda-based Intex was hailed as the world's first wholly electronic futures exchange when it opened in October 1984, but the exchange has yet to take off.

Ironically, Mr Tom McKiernan, Intex's new president, is a firm believer in open outcry, calling it the most efficient way to run a market. His conviction comes, he says, from experience of Intex's problems in attracting liquidity to an electronic marketplace.

Mr McKiernan is now charged with heading Intex in a new direction. He is hoping the exchange can use its existing technology to service the futures industry rather than compete with established exchanges. This could involve trading other exchanges' products when they are closed. At the same time, he is discussing listing Intex's products on an exchange where they could be traded in open outcry.

Mr McKiernan disputes that Intex, which currently trades two stock index contracts and Ocean Freight Rate futures, has been a failure. "It was five years ahead of its time," he says.

Intex's cause is, of course, helped by the current welter of publicity being given to electronic trading as a fall-out from the CME's move. Mr McKiernan regards it as a leap forward for the industry, but foresees the day when the industry becomes totally electronic as "awfully boring and very unprofitable."

Mr Karsten Mahlmann, chairman at the Chicago Board of Trade, would agree with him. Although the Board of Trade says it has considered electronic trading, it has moved to extend its open outcry hours in Chicago as an alternative, and Mr Mahlmann says he cannot foresee abandoning a market where traders meet face to face.

Mr Mahlmann voices a very real concern when he asks if the local trader - who trades for his own account - will participate in an electronic marketplace. Without the local to provide liquidity to screen trading, the bid and ask spread is not likely to be as tight as it is in a well functioning marketplace and hence the best price will not be reached, Mr Mahlmann argues.

Similarly, some observers fear computer trading will be suited to block trades, but will not provide the liquidity of a physical marketplace.

So far, the exchanges to achieve a degree of success with screen trading are fairly small operations. The New Zealand Futures Exchange has been moderately successful in developing a completely new market on its ATS – Automated Trading System – and currently trades several financial contracts alongside wool futures.

But the NZFE's biggest contract, futures on the Barclays Share Price Index, still only trades 1,000 lots a day.

On the other side of the globe, London's Futures and Options Exchange's experience with a similar system has been so good that the exchange is considering new commodity products such as rubber and wool to trade alongside white sugar futures. That contract has attracted an increasing amount of interest since its inception at the end of July and is currently trading around 2,000 contracts a day, apparently undented by the start-up of a rival open outcry contract at New York's Coffee, Sugar and Cocoa Exchange.

"You can't expect a system to make a market," Mr Con Lenan, the Fox marketing manager underlines, "the system should support the market."

London trading halted in Japanese equity warrants

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE LONDON market in Japanese equity warrants halted trading early yesterday afternoon as it was overwhelmed with sell orders.

After opening broadly firmer in line with the overnight improvement in the underlying shares in Toyko, prices in the usnally volatile market in the instruments collapsed in mid-morning. Prices falls averaged 30 per cent or more.

After selling continued when the market reopened after lunch at 2.15pm, dealers led by Daiwa and Nikko closed 10 minutes later. Some of the others remained open for customer business.

Dealers said the selling mainly came from fund managers who were forced sellers because of redemptions by clients. But there were also reports of dealers clearing out lines of warrants.

Two types of funds buy equity warrants: small highly-geared warrants-only funds and larger UK institutional funds which use the warrants as a proxy for the underlying equity. Apparently, some fund managers have also attempted to reduce the weight of Japanese shares in their portfolios because they have become concerned that the percentage falls on the Tokyo Stock Exchange have not matched those on other markets.

As an example, warrants into shares of Fujitsu, the communications equipment and electronics company, dropped from 57 to 40, while the parity value of the warrants as indicated by the Tokyo close was 53.

Amid the uncertainty, two further new equity warrants issues were postponed: a $100m five-year issue for Keio Teito Electric Railway through Nomura and a $30m issue for Matsuyadenki through New Japan Securities.

Renewed worries about shares on Wall Street and further cuts in prime rates by US banks helped set the US Treasury market on an upward course yesterday afternoon. The benchmark 30-year bond was up more than 2¼ points at the European close, with its yield falling to 9.21 per cent. The 10-year bond rallied by more than 1¾ points.

However, again the Eurodollar bond market lagged in price performance with dealers noting an almost complete absence of retail support. Prices were marked up ¾ to 1 point.

KLEINWORT BENSON LONSDALE, holding company for the UK merchant bank, yesterday raised $185m through a privately-placed floating-rate note issue. Combined with the company's £143m rights issue now in progress, the company will have an additional £250m of additional capital, bringing its total capital resources to £900m.

The notes, placed with institutional investers by Credit Suisse First Boston, have a 10-year maturity. They count as secondary capital. The interest margin was not disclosed.

Mr Michael Hawkes, chairman, said the additional capital "puts Kleinwort Benson in a strong position to develop its business."

Illustrating the widening of spreads, the World Bank's 10-year issue maturing in 1997 was traded at a spread of 95 to Treasuries, although this may have exaggerated the movement somewhat. On Wednesday, the spread was about 80 and last week it was around 66.

The increased prospect of recession, or at least of a growth slowdown, in the US which has been brought about by the collapse in stock prices continues to provide an underpinning for the bond markets.

The size of personal holdings of equity in the US means that the stock market fall there, which will reduce per capita wealth by about $4,000, will have a more significant impact on consumption than in other countries.

Economists at Morgan Grenfell for example have calculated that the impact of the crash could lead the economy to shrink in the fourth quarter of this year and the first quarter of next, before growth starts to pick up again. Two consecutive quarters of negative growth in the US is defined as a recession.

Nevertheless, worries that a falling dollar will result if lower interest rates are engineered in the US to prevent the onset of recession will underpin concern about the Treasury market.

Furthermore, the volatility of recent days in both bond and stock markets implies that investors will require some kind of compensation for the increased market risk they undertake in holding the instruments. This suggests that a steeper yield curve in fixed-rate dollar bonds will persist for some time.

The Euro-DM market was steady in the morning, gaining by about ⅛ point, but rallied along with New York in the afternoon, gaining a further ½ point in the eight to 10-year maturities.

By contrast, the West German government bond market ended the day generally easier as the market attempted to consolidate after its recent sharp movements.

In Switzerland, the foreign market ended the day barely changed, while the domestic market was steady in light volume. Japanese equity issues came under pressure in both D-marks and Swiss francs in the afternoon.

The Canadian province of Saskatchewan launched a SFr100m 10-year non-callable issue through Credit Suisse priced at par and carrying a 5¼ per cent coupon. The latest grey market price was less 1¼ bid.

In London, Eurofima, the Swiss-based rolling stock company, launched a C$75m three-year issue carrying currency warrants through Deutsche Bank Capital Markets. It carries a 10⅛ per cent coupon and an issue price of 112.98. The warrants entitle the holder to buy sterling with US dollars on October 20, 1988.

Concern over record option exercises

BY ALEXANDER NICOLL

A RECORD number of 124,000 options, representing 124m shares, were exercised upon expiry in the London Stock Exchange's Traded Options Market this week.

The exercises could raise concerns about the financial health of participants in the London market since the options are all likely to have been put options with strike prices well above the level of share prices following this week's sharp declines.

Put options provide the buyer with the right to sell shares at a pre-set exercise price. Holders of such options stand to make big profits, or to avoid big losses, through exercising them, since the prices of the underlying shares have fallen so far.

The sellers or writers of the options, however, will be forced to pay for the shares at well above present market rates. Settlement date for the options exercised this week will be November 2 - the same as for all Stock Exchange transactions in the account period which ends today.

London's options and futures markets have so far functioned smoothly in active business amid the chaos of financial dealings worldwide. Clearing members of both the options market and of the London International Financial Futures Exchange have met successive calls for additional margin payments to help cover their positions.

Liffe traded a record 171,105 contracts on Tuesday, including new peaks on US Treasury bond futures and FT-SE futures. The Traded Options Market has also been enjoying a record week with daily volumes between 110,000 and 120,000.

The exchanges' figures suggest, however, that there has not been a large amount of arbitrage between the stock market and index products. Traders point out that, with the stock market so volatile and difficult to deal in, arbitrage programmes would be difficult to execute.

Amsterdam exchanges may limit options

By Laura Raun in Amsterdam

THE AMSTERDAM Stock Exchange and European Options Exchange (EOE) may jointly impose position limits in option contracts based on less traded securities in an effort to avoid financial problems like those arising from the market crash of the past week.

Baron Bouwdewijn van Ittersum, chairman of the Amsterdam bourse, said position limits should be imposed to ensure a better balance of liquidity between the options and the underlying stocks and bonds. As much as 50 per cent of the trading in some equities and bonds comes from traders on the EOE, which is based in Amsterdam, he added.

Other financial markets around the world should follow suit but in the meanwhile "Amsterdam must address these problems...to avoid volatility...and restore confidence in the markets," the baron said.

His call for confidence-inspiring measures came as the market crash took its first victim in Amsterdam. Mellegers and van den Elsaker, one of the largest hoekmen (jobber) firms, is going out of business because credit has been halted, although current obligations will be met, the stock exchange announced.

The firm's financial difficulties are a result of the share price plunge, which meant some enormous losses when positions were liquidated, not a result of options trading, the bourse said.

Mellegers and van den Elsaker was formed last year through the merger of four smaller hoekmen firms at a time when Baron van Ittersum was energetically encouraging such firms to consolidate to survive amid the heightened competition of deregulated markets.

About a dozen other hoekmen firms also are suffering financial difficulties as a result of price plummets and huge volume. On the EOE, five market makers are experiencing financial trouble. These problems have been exacerbated by computer failures, which have intermittently halted trading.

Ottawa in move to resolve securities row

By Robert Gibbens in Montreal

CANADA'S Federal Government is to meet provincial securities regulators to seek solutions to a dispute about supervision of the securities market.

The provinces have jurisdiction over securities trading and the operation of investment dealers but this summer Ottawa claimed inspection and audit powers over federally-incorporated financial institutions taking over an investment dealer and foreign institutions doing the same

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	91½	92	0	+2½	9.95
All Nippon Air 9⅝ 97	100	92¾	92⅞	+2¼	+2	10.70
American Brands 8⅞ 92	150	95⅛	96	+0⅛	+3⅛	10.06
A/S Eksportfinans 7⅞ 93	100	88⅛	88⅞	+0⅛	+2⅛	10.20
A/S Eksportfinans 7¼ 92	150	91¼	91¾	+1½	+2⅛	9.73
Belgium 9¼ 92	400	96⅞	97⅛	+0⅛	+2¼	9.95
British Telecom 7⅞ 96	250	–	–	–	–	
British Telecom 8⅞ 94	150	†93¾	93¾	–0⅛	+3⅝	10.25
Campbell Soup 10½ 95	100	101¾	102⅛	+0¼	+4⅝	10.33
Canada 9 96	2000	–	–	–	–	–
Canadian Pac 10¼ 93	100	†99½	100½	0	0	10.72
C.C.C.E 7⅛ 97	113	92	92½	+0⅛	+2⅞	9.58
C.N.C.A 7¼ 91	150	91⅞	92⅜	+1⅛	+3	9.62
Coca-Cola Ent. 8¼ 90	100	98⅝	99⅛	+1½	+2⅞	8.70
Credit Lyonnais 9 91	200	97⅞	98⅛	+0⅞	+2⅝	9.65
Credit National 7⅛ 92	100	91⅛	92⅛	+1⅛	+3	9.62
Credit National 7¼ 91	150	92	92½	+1⅛	+2⅞	9.58
Denmark 7⅛ 92	500	89⅞	90⅛	+1⅛	+2	10.00
Denmark 8¼ 91	300	95⅛	95⅝	0	+2⅛	9.55
E.E.C 7 91	100	92⅛	92⅝	+1⅛	+3⅛	9.26
E.E.C. 7¼ 93	250	89⅞	90⅝	+2	+4⅛	9.67
E.E.C 8¼ 96	100	89⅞	90⅝	+2⅛	+6⅛	9.99
E.I.B. 7⅝ 93	100	89½	90	+0⅞	+4⅛	9.92
E.I.B. 9⅝ 97	150	95⅝	96⅛	+3⅛	+7⅞	10.04
Finland 7⅞ 97	200	85⅝	86	+1⅛	+5	10.35
Finland 7½ 93	200	88½	89	+1⅛	+2	10.12
Ford Motor Cred 11⅞ 90	100	104⅛	104⅝	+1⅛	+2⅛	9.02
Gen Elec Credit 10⅛ 00	200	101⅜	102	+1⅛	+1⅛	10.00
G.M.A.C. 8¼ 89	200	99⅛	99⅝	+0⅛	+1⅛	8.53
Hoesch 8¼ 97	100	86¾	86⅞	–0⅛	+2⅛	10.56
Hoesch 7⅝ 92	100	93¾	94⅛	0	+1⅞	9.06
Hoesch 7⅞ 94	300	89½	90	0	+2⅞	10.10
Liberty Mutual 8½ 96	150	88½	89	+1½	+2⅛	10.52
L.T.C.B of Japan 8 91	100	94⅝	95	+1⅛	+2⅛	9.74
L.T.C.B of Japan 8 97	200	†84⅛	84⅝	–0⅛	+4⅛	10.71
Mercedes-Benz Cred 7½ 93	100	†90	90½	+0⅞	+1	9.76
Mercedes-Benz Cred 8¼ 92	100	96¼	96¾	+0⅛	+1⅛	9.18
Mitsubishi Fin. 7⅞ 93	100	87⅞	88⅜	+0⅛	+3⅛	10.59
Mutual America 7⅝ 92	100	†91½	92	0	+2⅛	10.11
Norway 7¼ 91	500	92½	93⅛	+1⅛	+1½	9.57
Pepsico Inc 7⅞ 93	200	89⅛	89⅝	+2⅛	+2⅛	9.95
Prudential Crp. 8⅞ 94	125	†93	93½	0	+4	10.17
Qantas Airways 10⅛ 95	140	100⅝	101⅛	+1⅛	+5	10.14
Republic of Italy 9 90	100	†97⅛	97⅝	0	+0½	10.08
Rank Xerox 9½ 91	125	99⅝	100⅛	–0⅛	+2⅛	9.51
Saskatchewan 10⅛ 92	100	103⅛	103⅝	+0⅛	+3½	9.69
State Bk S Aust 9¼ 93	100	97⅛	97⅝	+1⅛	+4⅛	9.88
Swedish Expt.Crd.7¼ 91	100	91⅛	92⅛	+1⅞	+1⅛	9.67
Swed Exp Cred 10 92	100	101	101½	+0½	+3	9.62
Sweden 7 91	250	92⅛	92⅝	+1½	+2⅞	9.39
Sweden 7 92	250	90⅝	91⅛	–0⅛	+2⅛	9.63
Sweden 8⅛ 96	200	92½	93	+2⅞	+3⅛	10.05
Sweden 8½ 92	200	96	96½	+2⅛	+2⅞	9.52
Taiyo Finance 7⅞ 94	100	†86⅛	86⅞	+0⅛	+2⅞	10.77
Toyota Motor Cred 8 89	100	†98⅞	99⅛	+0⅛	+1⅛	8.62
Toyota Mtr.Cred.7½ 92	150	90⅛	90½	–0⅛	+2⅞	10.02
Victorian Rep 12⅛ 92	150	106⅛	106⅝	+0⅛	+3⅛	9.78
World Bank 7 92	300	†91⅞	92⅛	+4	+3⅛	9.34
World Bank 9 97	300	91⅛	91⅝	+0⅛	+4⅛	10.43
Yasuda Trust Fin 8½ 93	100	91⅞	92⅛	+0½	+2⅛	10.45

Average price change... On day +2⅛ on week +3⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	95	95½	+0¼	–0½	6.71
Avis Fin.SVS 5⅞ 92	100	98¼	98¾	+0¼	–0¼	6.26
Bank of Greece 6½ 95	150	95	95½	+0⅛	–0¼	7.30
Bank of Tokyo 5⅛ 93	100	98¾	99¼	+0⅛	–0¼	5.96
BMW 5¼ 96	200	86⅞	87⅜	0	–1⅛	7.35
Degussa Int. 6⅛ 97	200	91⅞	92⅜	+0⅛	–0¼	7.36
E.I.B 5½ 98	150	87	87½	+0⅛	–0⅛	7.25
E.I.B 6 97	300	93⅞	94½	+0⅛	+0⅛	6.87
E.I.B. 6½ 96	300	94⅛	94⅞	+0⅛	+0⅛	6.96
E.I.B. 6⅛ 97	400	93¾	94⅜	+0⅛	+0⅛	6.99
E.I.B. 6⅞ 95	300	100	100½	–0⅛	+0⅛	6.81
Euro.Coal& Steel 5⅞ 97	175	92⅛	93	+0⅛	+0⅛	6.97
Eurofima 6¼ 96	100	95⅞	96½	–0⅛	–0⅛	6.85
Elec De France 5⅛ 97	300	89⅞	90½	+0⅛	+0⅛	7.20
Hoesch Int'l Fin.7 95	100	99⅞	100⅛	+0⅛	–0⅛	6.97
I.A.D.B. 6 97	200	91⅞	92⅜	+0⅛	+0⅛	7.14
IBJ 5⅞ 96	200	89⅛	89⅝	+0⅛	–0⅛	7.32
Japan Finance 5¼ 97	100	89⅞	90½	–0⅛	–0⅛	7.24
Ireland 6½ 97	300	94⅞	95⅛	+0⅛	–0⅛	7.24
Korea Dev BK 6⅛ 93	100	98½	99⅛	–0⅛	–0⅛	6.86
Malaysia 6 –¼ 94	150	95⅞	96½	+0⅛	0	6.96
Mitsubishi Met 3⅛ 89XW	100	94⅛	95½	0	–0⅛	5.57
Portugal 5⅛ 92	150	97⅛	98	+0⅛	–0½	6.33
Portugal 6⅞ 95	150	98	98⅞	–0⅛	0	6.90
Royal Insurance 5½ 92	300	99⅛	99⅝	0	–0½	5.62
Statoil 6¼ 97	200	92	92⅞	+0½	+0⅛	7.41
Soc Cent Nucleair 7¼ 95	150	100⅛	100⅝	–0⅛	–2⅛	7.18
Societe Cent Nuclear 8 91	100	104⅛	104⅞	–0⅛	–0⅛	6.53
Stowasag 5½ 96	100	90½	91¼	–2¼	–3⅛	6.94
Tokyo Elec. Power 6 97	300	90⅞	91¼	+0⅛	0	7.36
World BK. 6¼ 97	600	94⅛	95⅛	+0⅛	+0⅛	7.22

Average price change... On day +0⅛ on week –0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅛ 96	100	†99⅝	99⅞	0	0	5.64
AMR Corpn. 5¼ 02	200	†87⅛	88¼	0	–0⅞	6.63
Asfinag 5 02	150	†91⅞	92½	0	–0⅞	5.80
Bayer W/W 2½ 02	250	†101½	102	0	–10	2.36
BBL W/W 2⅞ 97	100	†96	96¼	0	–2⅛	3.22
Elec.De.France 5 07	100	†97	97¼	0	–0⅞	5.24
E.I.B. 4⅞ 97	200	†93½	94⅛	0	–0¼	5.58

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	45	91⅛	91⅛	+0⅛	+1	6.23
E.I.B 4⅞ 94	40	91⅞	92	+0⅛	+1⅛	6.17
Elec. De France 5⅛ 94	20	94⅞	94⅞	+1	+1⅛	6.15
Kansai Electric 4⅞ 94	60	91⅛	91½	+0⅛	+0⅛	6.27
Norway 4⅛ 92	60	92⅛	93⅛	+0⅛	+0⅛	6.00
S.N.C.F. 4⅞ 93	20	93⅞	94⅛	+0½	+0⅛	6.15
Sweden 5⅛ 95	20	95⅛	96⅛	+0⅛	+0½	6.28

Average price change... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	100	100⅛	–0⅛	–1⅛	13.95
American Brand 9½ 94 £	50	93⅛	94⅛	+1⅞	+1⅛	10.82
American Express OC.10 94	40	†94⅛	95⅛	+0⅛	–1⅛	11.10
Bergen Bank 15 90 A$	50	†100½	101⅛	+0⅞	–0⅛	14.34
BP Capital 13⅛ 92 A$	75	100⅞	100⅞	–0⅞	–2	13.56
Chrysler Crp 10 91 C$	75	†97½	98	+0⅛	+1⅛	10.01
C.O.E. 8⅞ 95 LF	600	†103½	104⅛	–0⅛	–0⅛	8.17
Creditanstalt 14⅛ 92	60	100⅛	101	0	–1⅛	13.67
Denmark 7⅛ 92 ECU	100	98⅛	98⅛	+0⅛	+0½	8.16
DG Fin. Co. 13⅛ 90 A$	50	†100	100⅛	–1	–2⅛	13.60
DG Fin. Co. 14 90 A$	75	†101	101½	+0⅛	–1½	13.58
DG Finance 14⅛ 92 A$	50	†102	102½	–1	–3⅛	13.60
Deutsche Bank 9⅞ 97 £	75	94⅛	95⅛	+2	+1⅛	10.72
Deutsche Bk.14⅛ 92 A$	100	101⅛	102	–0⅞	–2	13.66
Dresdner fin.13⅞ 91 A$	100	99½	100	0	–1⅛	13.09
E.I.B 7⅞ 91 ECU	100	†96	96½	+0⅛	0	8.47
E.I.B 8⅞ 93 LF	1000	†102½	103½	0	0	7.89
Euratom 7⅞ 97 ECU	145	†84½	85	+0⅛	–1⅛	9.91
Finland 6 91 FL	100	97⅛	98	0	–0½	6.67
Ford.Mtr.Cred.13⅛ 91A$	75	99⅞	100⅛	–0⅞	–1⅛	13.77
G.M.A.C. 9 92 £	50	95⅛	96⅛	+1⅛	+0⅞	10.13
G.M.A.C. 9¼ 92 C$	75	†96⅛	97⅛	+0⅞	+1⅛	10.11
G.M.A.C Aus.Fin.14 90 A$	50	†99⅛	99⅛	–0⅛	–1⅛	14.15
Halifax BS 10⅛ 97 £	100	†94	94½	+0⅛	–1½	11.38
Helaba Fin. 13⅞ 96 A$	75	100½	101	–0⅛	–1⅛	13.19
Imp Chem Inds 10 03 £	100	†93⅞	94⅛	+0⅞	+1⅛	10.78
Inv.In Ind.Intl 10 93 £	60	†95⅛	96⅛	+0⅛	+0⅛	11.01
Land Securities 9⅛ 07£	200	†81	81½	+1⅛	+1	12.01
Leeds B.S 10½ 91 £	50	†98	98½	+0⅛	+0⅛	11.09
Mort.Bk.Denmark 6 91 FL	150	97⅞	98⅛	0	+0⅛	6.60
Nat.Australia 14 92 A$	50	†99	99½	–0⅛	–2⅛	[illegible]
Nationwide BS 10⅛ 93 £	75	96⅛	96⅛	+1⅛	+1⅛	10.98
New Zealand 7⅛ 93 ECU	200	†91⅛	91⅛	+0⅛	–1⅛	9.84
Oesters.Kbk.13⅛ 94 A$	75	100⅛	100⅛	–0⅛	–1⅛	13.48
Prudential Fin.9⅞ 07 £	150	†85⅛	85⅞	+0⅛	+1⅛	11.20
Royal Ins 10⅛ 92 £	60	†100½	101	+0⅛	+0⅛	10.52
Royal Trustco 10⅛ 90C$	75	†100	100½	+0⅛	+1⅛	10.25
Sainsbury,J 10⅞ 93 £	60	†99⅛	99⅞	–0⅞	–0⅛	10.95
S.D.R. 7⅛ 95 ECU	90	91⅛	91⅞	+0⅛	–0½	9.36
Tsthouse Forte 11⅛ 90£	50	†100⅛	101⅛	+0⅛	–0⅛	10.57
Thyssen 7⅛ 90 FL	50	101⅛	102	+0⅛	+0⅛	6.60
Wessanen 6⅛ 90 FL	50	100⅞	101½	0	+0⅛	6.32
World Bank 11⅛ 95 £	100	102⅛	103⅛	+0⅛	+0⅛	10.65
World Bank 13⅛ 92 A$	100	†98⅞	99⅛	–0⅞	–2	13.59

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	99.95	100.05	11/12	7.64
Alliance & Leic.Bld 94 £	.08	99.04	99.09	21/10	9.33
Belgium 91	0	99.85	99.95	19/02	7.19
Britannia 5 93 £	0⅛	99.53	99.58	8/01	10.37
Chase Manhattan Corp 91	0⅛	98.98	99.15	20/08	7.19
Citicorp 98	†0⅛	97.75	97.85	30/11	7.12
Credit Lyonnais 5 00	10⅛	98.27	98.37	13/01	7⅛
EEC 3 92 DM	†0	99.73	99.78	22/02	4.31
Halifax BS £ 94	.1	99.31	99.36	6/11	9.41
Midland Bank 01 £	.1	96.81	96.91	11/11	10.35
Milk Mkt.Brd. 5 93£	0⅛	99.44	99.48	30/12	10.37
New Zealand 5 97 £	.07	99.38	99.48	18/11	10⅛
New Zealand 5 01	0	99.07	99.17	4/02	7⅛
Shearson Lehman Hlds 91	†0⅛	99.40	99.65	6/11	7⅛
United Kingdom 5 92	0	100.12	100.19	7/01	8.19
Woodside Fin. 5⅛ 97	0	99.47	99.56	28/10	7.06
Woolwich 5 95 £	0⅛	99.37	99.43	19/11	8.81

Average price change... On day +0.06 on week +0.03

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	†8/87	62	88	90	0	43.32
Alco Health 6¼ 01	7/86	26.25	78½	79½	–2⅛	38.25
American Brands 7⅛ 02	9/87	56.7	101½	103	+2⅛	21.42
American Can Co. 5⅛ 02	†4/87	66.75	75	77	+0½	51.43
Ashikaga Bank 2⅛ 02	4/87	967.	97	98½	+0⅛	–1.58
Asics 5 92 DM	12/83	638.6	144⅛	145⅛	0	–1.59
CBS, Inc. 5 02	4/87	200.	95⅛	97⅛	0	14.67
Chiba Bank 2⅛ 02	1/87	790.5	163⅛	165⅛	+1⅛	0.48
Fuji Hvy Inds 3 00	8/85	676.	128⅛	129⅛	–7	–7.35
Fujitsu 3 99	5/84	1106.	160½	161½	–22⅛	–11.63
Gunma Bank 2⅛ 02	4/87	808.	118	119½	–0⅛	–2.29
MCA INC 5½ 02 US	9/87	69.62	73⅛	75⅛	–2⅛	30.07
Minolta Camera 2⅛ 94DM	2/86	1004.	92½	94	+2⅛	43.45
Mitsui trust 2⅛ 01	10/86	1903.	120	121½	–0⅛	–1.63
Next PLC 5⅛ 03 £	†11/87	4.3	99	101	–1	41.45
Nippon Elec 2⅛ 00	1/85	1295.	251⅛	252⅛	–30⅛	–12.6
Oki Elec Ind 3½ 99	10/84	805.	153	154⅛	–7½	–5.60
Omron Tateisi 2⅛ 02	4/87	1310.	110½	112	–22	–22.3
Redland 7⅛ 02 £	1/87	5.4	90½	92½	–2	4.68
Yokohama Bank of 2⅛ 02	10/86	1014.	139⅛	141⅛	–12⅛	–11.8
W.R. Grace 6⅛ 02 US	9/87	84.25	81½	83	–3⅛	53.14

* No information available-previous day's price

† Only one market maker supplied a price

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Transvaal

Reports of the directors for the quarter ended September 30 1987

WESTERN DEEP LEVELS

Western Deep Levels Limited

Registration No. 57-02349/06

ISSUED CAPITAL: 27 194 115 ordinary shares of R2 each
59 968 S ordinary shares of R2 each

	Quarter ended Sept. 1987	Quarter ended June 1987	Nine months ended Sept. 1987
OPERATING RESULTS			
Gold			
Area mined – m² 000	149	215	659
Tons milled 000 – reef	624	1 028	2 632
– waste	710	485	1 674
– total	1 334	1 513	4 306
Yield – g/t – reef	9.06	9.01	9.00
– waste	1.31	1.35	1.40
– average	4.84	6.57	6.05
Production – kg	6 565	9 934	26 029
Cost – R/m² mined	945.07	633.79	708.78
– R/ton milled	100.98	89.98	93.49
– R/kg produced	20 441	13 709	15 457
PRICE RECEIVED ON SALES			
Gold – R/kg	30 139	29 804	28 572
– $/oz	464	445	436
FINANCIAL RESULTS	R000	R000	R000
Turnover	225 911	312 379	816 514
Gold – revenue	202 526	291 670	749 086
– costs	134 626	139 255	402 585
– profit	67 900	152 415	346 501
Uranium oxide profit	9 342	8 816	28 448
Net sundry income	5 762	3 842	15 627
Profit before taxation	82 984	165 073	390 576
Provision for taxation	12 258	62 411	134 909
Profit after taxation	70 726	105 662	255 667
Appropriation for capital expenditure	46 228	63 004	147 590
Profit available	24 498	42 658	108 077
Dividend – interim			79 037
Retained profit for the nine months			29 040
Earnings per share – cents	90	157	397
Capital expenditure – R000	48 865	64 594	151 905

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended September 1987							
Ventersdorp Contact reef	3 692	–	–	–	–	–	–
Carbon Leader reef	5 435	–	–	–	–	–	–

PRODUCTION
Production was seriously affected by the strike by the majority of the black workforce. In addition, the long period of inactivity resulted in extensive damage to underground workings and as a result, full production will only be achieved during the fourth quarter.

CAPITAL EXPENDITURE
Capital expenditure for the year has been reduced from R241 million to R217 million.

DIVIDEND
The interim dividend of 290 cents a share on the ordinary shares and S ordinary shares in respect of the year ending December 31 1987 was declared on July 23 1987, payable to members registered on August 7 1987 and was paid on September 11 1987.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at September 30 1987 totalled R79 928 000.

For and on behalf of the board
E P GUSH
T L PRETORIUS } Directors

October 23 1987

ERGO

East Rand Gold and Uranium Company Limited

Registration No. 71/07001/06

ISSUED CAPITAL: 42 078 712 ordinary shares of 50 cents each
69 934 S ordinary shares of 50 cents each
(Previously 42 078 712 ordinary shares of 50 cents each)

	Quarter ended Sept. 1987	Quarter ended June 1987	Six months ended Sept. 1987
COMPANY RESULTS			
Material treated – tons	8 946 000	7 843 000	16 789 000
Gold production – kg	2 747	2 336	5 083
Uranium production – kg	38 530	35 760	74 290
Acid production – tons	131 987	104 892	236 879
PRICE RECEIVED ON SALES			
Gold – R/kg	30 070	28 573	29 323
– $/oz	464	441	448
	R000	R000	R000
Turnover	97 053	73 962	171 015
Revenue	97 053	73 962	171 015
Cost of sales	59 603	53 862	113 465
Operating profit	37 460	20 080	57 560
Net sundry expenditure (income)	83	(37)	46
	37 377	20 127	57 504
Deduct			
Royalty	1 623	1 500	3 123
Cost of slimes purchased	6 777	1 332	8 109
Profit before taxation	28 977	17 295	46 272
Provision for taxation	5 226	533	5 759
Profit after taxation	23 751	16 762	40 513
Appropriation for capital expenditure	6 157	11 451	17 608
Profit available	17 594	5 311	22 905
Dividend – interim			23 182
Retained profit for the six months			277
Earnings per share – cents	41	13	54
Capital expenditure – R000	5 698	15 449	21 147
ERGO DIVISION			
Slimes treated – tons	5 174 000	5 022 000	10 196 000
Gold production – kg	1 612	1 611	3 323
– unit cost R/kg	18 718	18 608	18 662
Uranium production – kg	38 530	35 760	74 290
Acid production – tons	122 646	97 039	220 585
	R000	R000	R000
Revenue – gold and silver	48 038	45 431	93 469
– uranium and acid	14 229	6 993	21 222
– total	62 267	52 424	114 691
Cost of sales	38 920	36 311	75 231
Operating profit	23 347	16 113	39 460
Net sundry expenditure (income)	86	(31)	55
Profit before taxation	23 261	16 144	39 405
Capital expenditure	3 285	3 657	6 932
SIMMERGO DIVISION			
Sand treated – tons	484 000	468 000	952 000
Ore milled – tons	20 000	38 000	58 000
Gold production – kg	411	408	819
– unit cost R/kg	26 971	26 434	26 703
Acid production – tons	8 341	7 853	16 194
	R000	R000	R000
Revenue – gold and silver	12 409	11 858	24 267
– acid	575	546	1 121
– total	12 984	12 404	25 388
Cost of sales	11 156	10 842	21 997
Operating profit	1 828	1 562	3 391
Net sundry income	5	6	9
Deduct			
Royalty to Simmer and Jack Mines Limited	1 623	1 500	3 123
Profit before taxation	209	68	277
Capital expenditure	457	1 677	2 134
DAGGAFONTEIN DIVISION			
Slimes treated – tons	3 268 000	2 315 000	5 583 000
Gold production – kg	724	317	1 041
– unit cost R/kg	13 050	21 054	15 486
	R000	R000	R000
Revenue – gold and silver	21 812	4 124	30 936
Cost of sales	9 528	8 709	18 237
Operating Profit	12 284	2 415	14 699
Cost of slimes purchased	6 777	1 332	8 109
Profit before taxation	5 507	1 083	6 590
Capital expenditure	1 961	10 120	12 081

DIVIDEND
The interim dividend of 55 cents a share on the ordinary shares and S ordinary shares in respect of the year ending March 31 1988 was declared on October 22 1987, payable to members registered on November 6 1987 and will be paid on December 11 1987.

PRODUCTION
In spite of a two week strike by the majority of the black workforce at the Ergo and Daggafontein plants, the tonnage of slimes treated at both plants was higher than in the previous quarter. The new Daggafontein Division exceeded design capacity for the first time over the quarter.

WATER SUPPLY
As Ergo is heavily dependent on a reliable long term supply of water from The South African Land & Exploration Company Limited for its operations, additional pumping capacity is being installed at Salties to prevent the flooding and loss of existing facilities. The cost is being funded by Ergo pending a decision by the State regarding subsidisation.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at September 30 1987 totalled R6 274 000, which included an amount of R68 000 for the Simmergo Division and R2 694 000 for the Daggafontein Division.

INCREASE IN ISSUED SHARE CAPITAL AND WITHDRAWAL FROM LISTING OF CERTAIN OF THE 15.5 PER CENT UNSECURED CONVERTIBLE DEBENTURES 1983/1991
Attention is directed to the notice published in the press on August 14 1987 relating, inter alia, to
i) the increase in the issued share capital of the company by 69 934 S ordinary shares of 50 cents each, and the listing thereof by The Johannesburg Stock Exchange and The Stock Exchange in London.
ii) the withdrawal of the listing of 69 934 15.5 per cent unsecured convertible debentures.

For and on behalf of the board
E P GUSH
T L PRETORIUS } Directors

October 23 1987

S.A. LAND

The South African Land & Exploration Company Limited

Registration No. 01/01879/06

ISSUED CAPITAL: 9 182 700 shares of 35 cents each

	Quarter ended Sept. 1987	Quarter ended June 1987	Nine months ended Sept. 1987
OPERATING RESULTS			
Gold			
Tons milled 000	637	632	1 876
Yield – g/t	0.66	0.65	0.67
Production – kg	414	413	1 248
Production, transport and screening costs			
– R/ton milled	10.79	10.16	10.56
– R/kg produced	16 498	15 546	15 841
PRICE RECEIVED ON SALES			
Gold – R/kg	30 175	29 021	28 741
– $/oz	466	449	436
FINANCIAL RESULTS	R000	R000	R000
Turnover	12 489	12 082	35 966
Gold – revenue	12 489	12 082	35 966
– production costs	4 057	3 786	11 637
– transport and screening costs	2 773	2 634	8 121
	5 659	5 662	16 196
Less cost of dump material	3 191	3 108	9 037
Gold profit	2 468	2 554	7 159
Net sundry income	248	248	[illegible]
Profit before taxation	2 716	2 802	7 994
Provision for taxation	1 434	1 517	4 260
Profit after taxation	1 282	1 285	3 734
Appropriation for capital expenditure	21	49	19
Profit available	1 261	1 236	3 715
Deduct			
Dividend – interim			2 296
Retained profit for the nine months			1 419
Earnings per share – cents	14	14	41

PUMPING OF WATER
Ergo has announced that it has initiated the installation of additional pumping capacity in the lower workings at Salties and the cost will be funded by Ergo pending a decision by the State regarding subsidisation. In view of this the possibility of resuming underground mining operations at Salties is again under active consideration and it is anticipated that a decision will be made in the near future.

DIVIDEND
The interim dividend of 25 cents a share in respect of the year ending December 31 1987 was declared on July 23 1987 payable to members registered on August 7 1987 and was paid on September 11 1987.

CAPITAL EXPENDITURE COMMITMENTS
There were no orders placed or outstanding on capital contracts as at September 30 1987.

For and on behalf of the board
T L PRETORIUS
E P GUSH } Directors

October 23 1987

ELANDSRAND

Elandsrand Gold Mining Company Limited

Registration No. 74/01477/06

ISSUED CAPITAL: 96 619 875 shares of 20 cents each

	Quarter ended Sept. 1987	Quarter ended June 1987	Nine Months ended Sept. 1987
OPERATING RESULTS			
Gold			
Area mined – m² 000	65	92	240
Tons milled 000 – reef	347	438	1 181
– waste	6	9	34
– total	353	437	1 215
Yield – g/t – reef	7.09	6.52	6.66
– waste	0.54	0.64	0.76
– average	6.97	6.39	6.51
Production – kg	2 462	2 794	7 914
Cost – R/m² mined	653.75	466.93	521.29
– R/ton milled	120.38	98.08	103.37
– R/kg produced	17 260	15 342	15 869
PRICE RECEIVED ON SALES			
Gold – R/kg	30 217	29 046	28 679
– $/oz	466	449	433
FINANCIAL RESULTS	R000	R000	R000
Turnover	74 181	81 008	228 062
Gold – revenue	74 181	81 008	228 062
– costs	42 494	42 866	125 590
– profit	31 687	38 142	102 472
Net sundry income	1 666	1 767	5 413
Profit before taxation	33 353	39 909	107 885
Provision for taxation	749	764	2 646
Profit after taxation	32 603	39 145	105 239
Appropriation for capital expenditure	13 278	14 671	38 625
Profit available	19 325	24 474	66 614
Dividend – interim			48 310
Retained profit for the nine months			18 304
Earnings per share – cents			
– before appropriation for capital expenditure	34	40	109
– after appropriation for capital expenditure	20	25	69
Capital expenditure – R000	19 527	18 093	60 901

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t
Quarter ended September 1987					
Elsburg reef	21	–	–	–	–
Ventersdorp Contact reef	3 827	560	74.1	15.86	1 175

PRODUCTION
Gold production for the quarter was adversely affected by the strike by the majority of black workers as well as by seismic activity.

DIVIDEND
The interim dividend of 50 cents a share in respect of the year ending December 31 1987 was declared on July 23 1987, payable to members registered on August 7 1987 and was paid on September 11 1987.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at September 30 1987 totalled R9 584 000.

For and on behalf of the board
E P GUSH
T L PRETORIUS } Directors

October 23, 1987

VAAL REEFS

Vaal Reefs Exploration and Mining Company Limited

Registration No. 05/17354/06

ISSUED CAPITAL: 19 000 000 shares of 50 cents each

	Quarter ended Sept. 1987	Quarter ended June 1987	Nine months ended Sept. 1987
OPERATING RESULTS			
Totals			
Gold			
Area mined – m² 000	403	530	1 460
Tons milled 000 – reef	2 060	2 550	7 332
– waste	426	337	963
– total	2 486	2 867	8 295
Yield – g/t – reef	7.93	7.19	7.37
– waste	0.59	0.73	0.69
– average	6.74	6.43	6.62
Production – kg	16 756	18 445	54 914
Cost – Complex			
– R/m² mined	660.33	501.75	537.63
– R/ton milled	107.04	92.66	94.63
– R/kg produced	15 880	14 403	14 294
Uranium oxide			
Tons treated 000	1 899	2 264	6 466
Yield – kg/t	0.18	0.20	0.19
Production – kg	348 216	443 318	1 256 368
PRICE RECEIVED ON SALES			
Gold – R/kg	30 168	28 945	28 564
– $/oz	465	447	433
FINANCIAL RESULTS	R000	R000	R000
Turnover	648 730	692 155	1 974 627
Gold – revenue	505 487	529 599	1 567 301
– costs	266 712	265 863	784 978
– profit	238 375	264 736	782 363
Uranium oxide profit	74 820	89 606	233 709
Tribute profit	5 178	13 400	35 271
Net sundry income	6 638	13 456	32 977
Dividend from Southvaal Holdings Limited			
– interim declared July 1987	–	23 400	23 400
	325 011	404 298	1 104 720
Royalties to			
– Southvaal Holdings Limited	82 642	96 206	266 564
– The Afrikander Lease Limited	(151)	655	719
– Anglo American Gold Investment Company Limited	(38)	23	–
Profit before taxation	246 559	308 414	837 447
Provision for taxation	110 675	126 045	385 133
Profit after taxation	135 884	182 369	452 314
Appropriation for capital expenditure	61 878	75 180	188 966
Profit available	74 006	107 189	263 348

> **SOUTHVAAL HOLDINGS LIMITED**
> Registration No. 66/11806/06
>
> **THE AFRIKANDER LEASE LIMITED**
> Registration No. 01/06955/06
>
> The attention of shareholders of these companies is directed to the report of Vaal Reefs Exploration and Mining Company Limited
> **The Free State Consolidated Gold Mines Limited quarterly results appear on another page in this newspaper.**

VAAL REEFS—*continued*

	Quarter ended Sept. 1987	Quarter ended June 1987	Nine months ended Sept. 1987
Deduct			
Dividend – interim			[illegible]
Retained profit for the nine months			[illegible]
Earnings per share – cents	390	[illegible]	[illegible]
Capital expenditure – R000	61 878	[illegible]	[illegible]
CONSOLIDATED PROFIT			
Consolidated profit after providing for taxation, of the company and its wholly-owned subsidiary, Western Reefs Exploration and Development Company Limited	135 885	[illegible]	[illegible]
OPERATING AND FINANCIAL RESULTS			
North Lease area			
Gold			
Area mined – m² 000	227	[illegible]	[illegible]
Tons milled 000 – reef	1 095	[illegible]	[illegible]
– waste	236	[illegible]	[illegible]
– total	1 331	[illegible]	[illegible]
Yield – g/t – reef	7.58	[illegible]	[illegible]
– waste	1.24	[illegible]	[illegible]
– average	6.46	[illegible]	[illegible]
Production – kg	8 593	[illegible]	[illegible]
Cost – R/m² mined	646.22	[illegible]	[illegible]
– R/ton milled	110.21	[illegible]	[illegible]
– R/kg produced	17 071	[illegible]	[illegible]
Uranium oxide			
Tons treated 000	936	[illegible]	[illegible]
Yield – kg/t	0.14	[illegible]	[illegible]
Production – kg	134 117	[illegible]	[illegible]
	R000	R000	R000
Gold – revenue	259 334	[illegible]	[illegible]
– costs	146 693	[illegible]	[illegible]
– profit	112 641	[illegible]	[illegible]
Uranium oxide profit	24 905	[illegible]	[illegible]
Tribute profit	1 977	[illegible]	[illegible]
	139 523	[illegible]	[illegible]
Capital expenditure	38 772	[illegible]	[illegible]
South Lease area			
Gold			
Area mined – m² 000	156	205	549
Tons milled 000 – reef	881	1 015	3 074
– waste	154	44	[illegible]
– total	1 035	1 174	3 296
Yield – g/t – reef	8.99	8.10	8.48
– waste	0.74	[illegible]	[illegible]
– average	7.77	7.80	7.81
Production – kg	8 038	8 903	25 765
Cost – R/m² mined	731.17	544.27	607.75
– R/ton milled	110.21	97.85	101.59
– R/kg produced	14 180	12 550	12 937
Uranium oxide			
Tons treated 000	964	1 181	3 373
Yield – kg/t	0.22	0.23	0.23
Production – kg	214 093	275 914	772 217
	R000	R000	R000
Gold – revenue	242 261	252 711	735 854
– costs	114 065	110 477	333 392
– profit	128 196	142 234	402 462
Uranium oxide profit	49 780	53 743	144 167
Tribute profit	3 201	8 624	19 134
	181 179	204 601	565 763
Deduct			
Capital expenditure	29 940	31 271	78 191
Repayment of loan and interest to Southvaal Holdings Limited	342	244	730
Repayment of consumer loan	728	1151	2 219
Surplus subject to royalty	150 259	173 107	484 643
Royalty to Southvaal Holdings Limited 55 per cent of surplus	82 642	96 206	266 554
Capital expenditure	29 940	31 271	78 191
Afrikander Lease area			
Area mined – m² 000	20	22	68
Tons milled 000 – reef	84	115	330
– waste	36	24	86
– total	120	139	416
Yield – g/t – reef	1.39	1.86	1.59
– waste	0.43	0.88	0.56
– average	1.04	1.69	1.37
Production – kg	125	235	569
Cost – R/m² mined	267.80	237.09	239.21
– R/ton milled	44.63	37.53	39.10
– R/kg produced	42 846	22 196	28 587
	R000	R000	R000
Gold section			
Gold – revenue	3 882	6 740	16 326
– costs	5 356	5 216	16 266
– profit	(1 484)	1 524	62
Deduct			
Ongoing capital expenditure	(834)	245	(262)
Recoupment of initial capital expenditure	102	101	304
Available for royalty	(732)	1 178	20
Provision for royalties to			
– The Afrikander Lease Limited	(218)	386	184
– Anglo American Gold Investment Company Limited	(38)	23	–
(The royalties are payable only when the results of the operations for the full year have been determined)			
Capital expenditure	(834)	245	(262)
Uranium section			
Uranium oxide profit	135	630	1 054
Royalty to The Afrikander Lease Limited	67	267	500
SHAFT SINKING	metres	metres	metres
No. 10 main shaft			
Advance	380	173	564
Depth to date	564	184	564
Station cutting	39	Nil	39
No. 10 Rock and ventilation shaft			
Advance	273	307	904
Depth to date	904	631	904
Station cutting	154	25	205

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended September 1987							
NORTH LEASE AREA							
Vaal reef	10 006	1 016	79.9	21.54	1 721	0.68	54.13
Ventersdorp Contact reef	144	152	120.6	1.80	217	0.02	3.00
SOUTH LEASE AREA							
Vaal reef	11 032	684	56.3	32.88	1 851	1.29	72.65
C reef	876	44	22.9	45.90	1 051	1.40	32.06
Area under tribute to and developed by Buffelsfontein Gold Mining Company Limited (not included in totals)							
Vaal reef	875	66	143.7	7.01	1 007	0.30	43.67
C reef	219	42	87.3	13.49	1 176	0.37	31.93
AFRIKANDER LEASE AREA (Gold section)							
Jeppestown Renkuil No. 5 reef	641	246	123.1	2.58	317	–	–
Totals							
Vaal reef (excluding tribute areas)							
Quarter ended September 1987	21 038	1 700	70.4	25.18	1 773	0.88	61.66
Quarter ended June 1987	31 126	2 466	71.2	27.19	1 936	0.82	58.57
Nine months ended September 1987	80 283	6 420	70.6	26.92	1 888	0.88	62.02

PRODUCTION
The strike by the majority of the black workforce has significantly affected operations and production will only be back to normal during the fourth quarter. Gold production for the quarter was 9% below the June quarter.

AFRIKANDER LEASE AREA
Mill tonnage was adversely affected by the strike and a shortage of reef due to severely fluctuating grades. Investigations are continuing into the feasibility of mining the lower levels.

DIVIDEND FROM SOUTHVAAL HOLDINGS LIMITED
The previous quarterly results include a half-yearly dividend from Southvaal Holdings Limited and are therefore not directly comparable with this quarter.

DIVIDEND
The interim dividend of 950 cents a share in respect of the year ending December 31 1987 was declared on July 23 1987 payable to members registered on August 7 1987 and was paid on September 11 1987.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at September 30 1987 totalled R72 006 000.

For and on behalf of the board
E P GUSH
T L PRETORIUS } Directors

October 23 1987

> **ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED**
>
> NOTE
>
> DEVELOPMENT
> Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves
>
> LONDON OFFICES:
> 40 HOLBORN VIADUCT, EC1P 1AJ

POOR TRADING IN FURNITURE ARM PROMPTS DOWNTURN

Harris Queensway slips back to £5.5m

BY LISA WOOD

Harris Queensway, the troubled carpets to furniture retailer, yesterday reported a pre-tax profit of £5.5m in the half year to July 26 1987, compared with £20.45m in the same period last year. The result was broadly in line with City forecasts.

Sir Philip Harris, chairman of Harris Queensway, told the City in August that his Queensway stores, which were re-positioned in the market earlier this year, would make a loss. He said that overall profits for the group would fall by as much as a quarter compared with 1986-87.

In the 12 months to January 31, Harris Queensway made taxable profits of £43.4m, excluding property profits. The group forecast profits for this year of about £32m, excluding property profits.

Earnings per share were 1.53p (compared with 9.46p in 1986) but as forecast in August the board decided to maintain the interim dividend at 1.75p.

Trading profits after interest were £3.7m (£14.2m) with property profits at £1.8m (£6.2m).

Harris Queensway said that the shortfall this year was primarily caused by the very poor trading in the Queensway Furniture business, together with some £6.5m one-off charges incurred as a result of the management actions taken to re-position the Queensway business.

Under Mr Peter Carr, the then joint chief executive of Harris Queensway, Queensway had attempted a swift refurbishment, with the introduction of new products such as glass, pictures and china. In July, Sir Philip asked Mr Carr to resign. The £6.5m one-off charges were mainly for stock write-offs and heavy discounts to get rid of these new products.

In the first six months, Queensway incurred a total downturn of £10.2m, including the one-off charges. However, Sir Philip said that the division was now trading profitably and would break-even at the year end.

Ultimate, the group's electrical division started in 1984, made a loss in the first half greater than that incurred last year. According to Sir Philip, the total loss this year would be less than that of last, when the division moved into loss.

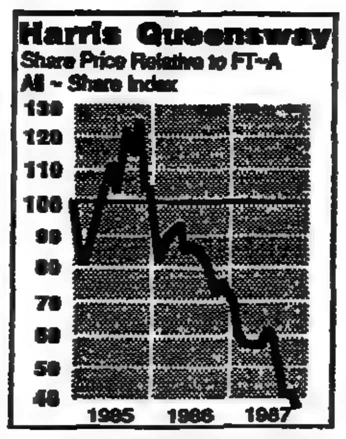
Mr Martin Watts, chief executive of Harris Queensway, said:

Sir Philip Harris, chairman of Harris Queensway

"The problem is critical mass. The future of Ultimate is being very closely examined."

He said that the group was looking at the problems of its 127 outlets - operating in a highly competitive market - but declined to say whether sale of the division was an option being considered. However, he added: "We will be concentrating on furniture, carpets and textiles."

The group's other furniture activities include Times, trading in the high street, and



Vogue, trading within Debenhams. Sir Philip said they produced "satisfactory results."

Carpets, the best performing area, showed sales up on last year. Outlets include Carpetland, Harris and General George Carpets.

Poundstretcher, the variety discount chain, lost sales because of a "disappointing" performance on clothing. Sir Philip said that sourcing in the Far East had led to over-buying of products which had been delivered too late.

Harveys, Home Charm and Hamleys, acquired in the latter half of 1986, contributed little to profits in the first half of 1987 but were "trading satisfactorily".

Mr Watts said the situation at Harris Queensway had now been stabalised, with recovery expected next year. However, he said the group's full recovery was a two-to-three-year job. "The City would like it done in 12 months," he said, "but it cannot be done."

A strategic review was currently underway in each of the group's divisions, with detailed plans being made for the next three years. Rationalisations were expected, including the closing of some Harris outlets and investment in key Harris locations. Some redundant Harris outlets would be used to expand other Harris Queensway shops, including Harveys.

The group, which has lost four members of its board this year, expected no more resignations. It was announced yesterday that Harris Queensway's new financial director was Mr Anthony Shanagher, formerly of Allegheny International.

Siebe rights taken up by just 43% of holders

By Clay Harris

INSTITUTIONS sub-underwriting the £207m rights issue by Siebe were showing a paper loss of more than £6m last night after the engineering group's shareholders took up only 42.8 per cent of the issue.

In the market, Siebe shares fell 21p to close at 382p, 28p below the rights price.

Lazard Brothers, Siebe's merchant bank which underwrote the issue, was nevertheless able to describe the result as "frankly, an absolute triumph." Even that level of acceptances might not have been achieved had the offer not closed on Wednesday, the strongest day for Siebe shares - and the London market - since Wall Street's collapse on Monday night.

One large institutional investor tried, however, to withdraw its acceptance. Its request was refused.

Some institutions may have declined to take up their rights because they expected to be left with shares in their sub-underwriting role.

Sub-underwriters will be told of their liability by close of business tonight as Lazard will try today to sell any of the rump in the market if the share price firms.

At last night's market price, however, the shares left with Lazards were worth £8.8m less than the price sub-underwriters are committed to pay. This will be offset, however, by total fees approaching £2.6m.

Siebe launched the two-for-five rights issue on September 11, to fund its £138m acquisition of Barber-Colman, a US controls company, and to reduce its borrowing.

Sir Terence on 'dubious deal' offered by Benlox

BY STEVEN BUTLER

Benlox Holdings, the small engineering and investment company, yesterday spelt out the details of its audacious all-share offer for Storehouse and said it would demerge the giant retailing conglomerate into six separately quoted companies if the bid succeeded.

Sir Terence Conran, Storehouse chairman, again denounced and rejected the takeover bid.

"This is a dubious deal of dubious value," he said. "It represents all that is unacceptable in takeover mania."

The offer document was fulsome in its praise for what it describes as the "brilliance" of the Conran Design Group, but said that the group had become unwieldy and suffered from a clash of cultures in the different components of the group.

The group, the document said, had underperformed the market and that shareholders would be able to realise value better by seeking separate listing for the group's components, which would be Habitat (with Heal's for furniture and household goods), Mothercare, BHS (with ContraCentre), Richards (for fashion clothes and accessories), the Conran Design Group, and Benlox-Storehouse Holdings (for property and investment). Kleinwort Benson, which is advising Storehouse, said claims that shareholder's would realise greater value by a break up of the group was entirely unsupported by quantitative evidence. It also said the offer document was filled with inaccuracies and criticised the lack of a cash alternative for the offer, which is 11 Benlox shares for each 2 Storehouse shares.

Benlox said it concluded that a cash alternative would be "inappropriate" since it believes that and insufficient proportion of Storehouse shareholders would take up the offer. "The (Benlox) board would therefore find it hard to justify the very considerable costs of an underwritten cash alternative," the document said.

Mr Peter Earl, of Ifincorp Earl, which is advising Benlox, said the offer was made out of a belief that institutions were unhappy when the Storehouse board rejected the 445p per share cash offer from the Mountleigh Group last month, and that there was a perception that the 1986 Storehouse merger with BHS was not working.

Sir Terence, however, said that to date he had received only three letters of complaint from small shareholders. "I have not had one complaint from an institutional shareholder," he said.

He said that the integration of BHS into Storehouse was expected to take three years from the time of the merger, and that plans were going forward according to schedule. Storehouse was also quick to point out that Ifincorp Earl is to receive £15m of fees in connection with the offer, £14.75m of that conditional on success of the deal.

IEP Securities ups its stake in Ultramar

IEP Securities, part of the Brierley Group of companies run by New Zealand businessman Mr Ron Brierley, has increased its holding in Ultramar, the independent oil company, to 12.13 per cent.

The majority of the increase is due to IEP taking up its full entitlement of 311,643 shares under a recent scrip dividend option.

Lep moves ahead by 36% in first half

Lep Group, whose main business is freight forwarding, saw its pre-tax profit rise by 36 per cent in the first half of 1987, from £3.1m to £4.2m.

And the directors said present indications were that trading continued well overall, and peformance was showing a good improvement over 1986.

The group's other activities are in transport and distribution, insurance, travel and property development. In 1986 it made a pre-tax profit of £8.89m.

Freight forwarding made good progress in the UK, Far East and the US, but the results in Austria were again disappointing.

Swift Transport Services continued its progress and traded successfully. Lep Industrial Holdings also did well.

Turnover for the half year rose 37 per cent to £480m and trading surplus doubled to £2.73m after higher net interest charges of £2.8m (£1.59m).

Contribution from associates fell from £1.77m to £1.47m entirely because the results of Switzerland were reduced to a more normal level as compared with the exceptionally good results of the previous year.

Property operations continued on plan and two further buildings in southern California were completed.

Earnings for the period worked through at 2.9p (2p) per share, after a tax charge still being affected by losses, mainly in Austria, which cannot be offset against other taxable profits. The interim dividend is raised to 1.2p (1p).

•comment

LEP is having difficulty turning round trouble spots in its core freight forwarding businesses, and that put its result below most expectations in the market. There is no doubt that the freight forwarding operation is set to move ahead, as it reaps the benefits of integrating Profit Systems, the recent US acquisition which has now passed all the regulatory approvals. That expectation, though, is insufficient to justify a prospective p/e in the range of 27, if full-year pre-tax profits come to £12m. LEP's share price has been underpinned by rather inflated expectations about the value of LEP House, its City of London property development. If the frothy rents of recent vintage lose their fizz, LEP could find its share price substantially flattened in the process.

Lipton sells Canadian company

By Dina Medland

Thomas J.Lipton, a subsidiary of Unilever Canada, has agreed to sell its Black Diamond cheese business to Canada Packers, the largest food processing company in Canada.

The price was not disclosed, but the transaction was "not significant in relation to Unilever's assets" the company said. Black Diamond has an annual turnover of some C$100m (£46.19m).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres- ponding div	Total for year	Total last year
Atlas Convert.§ ......int	2.5	Jan 12	-	-	3.3
Brit Amer Film ......int	2.13	-	1.9	-	5.9
Gerrard & Natl ......int	3	Dec 2	3	-	17
Hammerson Prop ..int	3‡	Dec 7	2	-	10.5
Harris Queensway.int	1.75	Jan 8	1.75	-	5.75
Lep Group ....int	1.2	Jan 8	1	-	3.25
Manganese Bronze fin	3	-	3.2	4.5	3.2
Sunleigh ....int	0.191†	Dec 31	0.13	-	0.38
Town Cen Secs ......fin	0.85	Jan 4	0.7	1.25	1.1
W A Holdings ....int	0.4†	-	-	-	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‖Unquoted stock. ØThird market. ‡To reduce disparity; payment carries scrip option.

Kunick in France

Kunick has acquired two further distributors of coin operated equipment in France for Frs7.5m (£751,000).

Amire, Kunick's French subsidiary, currently has over 20 per cent of the coin operated equipment market and the new operations will add a further 10 per cent.

Hyman rights

HYMAN: Robert Flewming & Co on behalf of Hyman state that 5,163,249 new ordinary stock units offered by way of rights have been taken up. It has not been possible to sell the balance amounting to 4,835,583 new ordinary stock units (48.4 per cent) in the market at a premium over the subscription price and expenses of sale and, as a result, the sub-underwriters are required to subscribe for such shares.

Optical & Medical

OPTICAL & MEDICAL: Of the 14,386,789 new ordinary offered by way of rights at 210p, 7,522,175 shares (approximately 52 per cent) were taken up. The sub-underwriters to the issue have been called upon to take up the balance.

Briefs

ZYGAL DYNAMICS: Resolutions approving the acquisition of Coulson Heron Associates were passed at an extraordinary meeting. The acquisition is expected to be completed on October 27 and the initial consideration is 5.4m Zygal ordinary shares.

BEAVERCO has acquired the Sari Fabrics Group of companies for an initial consideration of £749,000 cash. Further consideration of up to £400,000 may become payable depending on Sari's profits before tax in the years ended March 31 1988, 1989 and 1990.

UK COMPANY NEWS

Manganese Bronze boosts profits past £3m mark

Manganese Bronze, holding company involved in vehicle manufacturer, metal components and aluminium fabrications, boosted taxable profits by £1.07m after all the company's divisions performed above expectation in the year to July 31.

Profits rose to £3.43m on turnover ahead from £46.84m to £50.14m. The directors proposed a final payment of 3p (3.2p), making a total of 4.5p (3.2p) for the year.

They said that the company's recently improved taxi was selling well and new foundries were now on stream. Orders throughout the group were showing a marked improvement over this time last year although it was still too early to determine the eventual outcome of the current year.

Manganese Bronze was looking to increase the size of the group through acquisitions and continued organic growth. Extraordinary credits of £1.04m resulted from the sale of the company's motrcycle interests. In the previous year, extraordinary losses of £3.76m were the result of writing off taxi tooling.

•comment

For 17 years Manganese Bronze had the luxury of being the sole manufacturer of the traditional black London cab, a position which came to an abrupt end last December with the launch of Metro-Cammall Weymann's Metro Cab. Yesterday's figures indicate that Manganese is winning the battle of the bodies - it seems taxi drivers prefer steel to glass fibre. The vehicles division has increased profits from £542,000 to £1.4m, on £29m sales, and has orders for 1,200 of its new FX4S taxis, worth £14m, on the books. This, in addition to the 7.5 per cent price rise on taxis, will mean even better margins. Along with getting shot of its long-held motorcycle interests, Manganese has shed its reputation as a highly-geared, low-profits business. A number of significant management changes have led to a more creative, dynamic outfit. The shares slipped 12p yesterday, closing at 228p. Profits this year could reach £5m, resulting in a prospective p/e of 11, still attractive.

Matthew Brown united

BY LISA WOOD

THE board of Matthew Brown yesterday informed its shareholders that it was not split over the takeover offer by Scottish & Newcastle Breweries.

Mr Patrick Townsend, chairman of Matthew Brown, said in a letter to shareholders, that Mr Alick Rankin, chief executive of S & N, had been reported as saying he was convinced that Matthew Brown's board was divided over whether to accept the bid.

S & N is offering three of its shares for every one of Matthew Brown with an alternative cash offer of 750p per share.

Mr Townsend said:" Your board remains unanimous in its rejection of this most unwelcome and inadequate offer."

The first closing date for the offer is next Monday. Mr Townsend told shareholders that S & N was able, under the terms of the offers contained in its offer document, to extend both the share and cash offers until December 2.

He urged shareholders not to be "rushed"into a decision and to await his forecasts for Matthew Brown for 1988

UK COMPANY NEWS

Hammerson exceeds expectations

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Hammerson, the international property group which has recently been the subject of bid speculation on the stock market, yesterday announced a sharp increase in interim profits and halftime dividend.

It also announced its biggest ever development in the US - a $90m (£54.5m) development of a 21-storey block of offices and retail property on Fifth Avenue in New York.

Pre-tax profits for the six months to June at £27.02m, compared with £22.26m in the 1986 first half, were about £1m more than the market had been expecting.

But the figures evoked no response and the Hammerson share price fluctuated during the day as the property stocks market itself moved erratically.

Mr Sidney Mason, the chairman, said: "I expect the second half to be as good as the first."

Shareholders are being paid an interim dividend of 3p a share, compared with the 2p they received at this time last year and full year payments for 1986 of 10.5p. First half earnings per share were 11.27p.

Hammerson's international activities cut both ways during the first half.

There was an increase in gross rental income to £67.9m from £58.87m in the 1986 first half. This came about not only because of rent reviews at the Brent Cross shopping centre in north London but also because of an extension to an Ontario shopping centre and from the leasing of two development properties in Los Angeles.

On the other hand, the group had its not unaccustomed difficulty with foreign exchange movements. The performance of sterling had the effect of reducing the pre-tax profits by 5 per cent from what they otherwise would have been.

If all goes according to schedule, Hammerson should have an increase in its dollar revenues in 1989 when its Fifth Avenue development is completed. The group said that discussions are taking place about a substantial pre-letting of the property. There is 260,000 square feet of space to let, including the retail units on the ground floor.

In the UK, developments at Finsbury Circus and Tower Hill in the City of London should also soon start to swell the revenue stream, especially if the high level of rents is maintained.

During the first half, Hammerson had an extraordinary surplus of £7m, taken below the line, resulting from the sales of shopping centres in Burnley in Lancashire and offices in Vancouver, Canada.

Sidney Mason, chairman of Hammerson

British & American Film value reduced to £17m

IN THEIR interim report the directors of **British & American Film Holdings** (investment holding company) are able to give shareholders some idea of how the turmoil in the international stock markets has affected the company's portfolio.

They said that at October 15 the value of investments had risen to over £19.7m. On October 21 that had been reduced to £17.3m, giving a net asset value of 604.2p, but it still represented a rise of 29 per cent since the end of 1986.

In the half year ended June 30 1987 the group pre-tax profit rose to £319,132 (£300,485). Earnings of the company and subsidiaries not consolidated worked out to 8.369p (7.534p). The interim dividend is 2.125p (1.9p).

Stormgard sells offshoot of Selincourt for £0.9m

BY DINA MEDLAND

Stormgard,textiles group, is selling L.Harris (Harella), a direct subsidiary of the Selincourt fashionwear and fabric companies, to Cabbondim for £902,000 paid in cash on completion.

Harris has not traded for several years, its only asset being a loan of £944,000 to the Stormgard group. Stormgard's consolidated net assets will be increased by £68,000 as a result of the sale.

Last month Stormgard sold its fabrics and nets division for about £7m. The directors said the disposal represented the end of a rationalisation programme

Solvay lifts stake in Laporte to over 24%

By Dina Medland

Solvay, the Belgian chemicals group, has increased its stake in Laporte Industries, the UK chemicals group, to 24.28 per cent, or 33.44m ordinary shares, the company announced yesterday.

Last month the company said that only "a material change in the circumstances relating to Laporte" would prompt it to reconsider its position, which remained one of slowly increasing its holding in Laporte to 25 per cent.

"In view of the world-wide joint interests of Solvay and Laporte in the Interox companies, Solvay believes it is important for the group to retain a significant interest in Laporte" the company said.

Town Centre

Net assets of Town Centre Securities increased from 78.88p to 95.13p per share over the year to June 30 last.

Earnings per 25p share totalled 49p (2.13p). A final dividend of 0.85p is proposed, making a total of 1.25p (1.1p).

Kentish Property Group has acquired a resdential development site in Rotherhithe Street, London, for close to £4m.

Sunleigh jumps to £854,000 and makes two acquisitions

MR TONY MERRYWEATHER, chairman of acquisitive **Sunleigh Electronics**, yesterday reported a sharp improvement in first half profits and two further purchases.

The period to July 4 saw turnover rise to £7.04m (£4.43m) and profits advance from a restated £476,000 to £854,000 pre-tax.

Sunleigh failed in its attempt earlier this year to take over Dale Electric International for £16.8m. However, Mr Merryweather revealed that P.J.O. Industrial and Powa Kaddy International had since been taken under Sunleigh's wing and that several further prospects were under review.

The results of the two companies were included in the comparative figures for 1986 on a merger accounting basis.

Earnings for the half year worked through at 1.32p (0.76p) and the interim dividend is being lifted to 0.1875p, an increase of 50 per cent over last time's 0.125p.

During the period costs of £219,000 were incurred associated with the Dale Electric offer. However, Sunleigh's investment in Dale of 1.15m shares was disposed of realising a profit after taking into account all costs relating to the offer.

Since May 1986 Sunleigh has taken over four companies, including Stanelco Products for 2.66m shares.

Sunleigh, a manufacturer and distributor of electronic equipment and electro-mechanical equipment, was placed on the Unlisted Securities Market in June 1983. FKI Electronics holds some 25 per cent of the company's equity.

Mr Bill Wood was appointed managing director of the enlarged Sunleigh group in August.

•comment

Under its new chairman Tony Merryweather, Sunleigh's policy this past year has been, quite simply, to take tired companies and make them more efficient, squeezing out more profits through multi-site rationalisation and by heavy power and pay incentives to managers. Since May 1986, one of the three core companies has been disposed of and six new ones acquired. The bulk of the 79 per cent profits rise is due to acquisitions and, though he has no intention of letting up on purchases, Merryweather intends to concentrate now on strong, less-ailing businesses and boosting growth in the existing ones - the target is 12 to 15 per cent growth next year. Borrowings are nil and 50,000 square feet of factory space is unused. The abortive bid for Dale Electronics earlier this year has, perversely, worked for Sunleigh - giving it an enhanced City presence due to the publicity. The shares closed 4p down yesterday at 53p. Assuming pre-tax profits for the full year of £2m, that puts them on a prospective p/e of about 16, cheap for a company with this potential.

RMP Rand Mines Properties Limited

(Incorporated in the Republic of South Africa)

Registration No. 68 01239 06

PROFIT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1987

The audited consolidated results of Rand Mines Properties Limited ("RMP") and its subsidiaries for the year ended 30 September 1987 are set out below:

INCOME STATEMENT

	1987 R000	1986 R000	Change %
Turnover	104 687	76 352	+ 37
Operating profit:			
—Property	5 853	854	+585
—Sand treatment	21 350	19 110	+ 12
	27 203	19 964	+ 36
Interest received	376	2 588	− 86
	27 579	22 552	+ 22
Interest paid	88	103	− 15
Profit before taxation	27 491	22 449	+ 22
Taxation	8 217	7 179	+ 15
—Normal	5 567	2 727	
—Deferred	2 650	4 452	
Profit after taxation	19 274	15 270	+ 26
Shares in issue (000's)	12 403	12 403	—
Earnings per share (cents)	155	123	+ 26
Dividends per share (cents)	80	65	+ 23
Dividend cover	1.9	1.9	—
Not included in profit after taxation —Surplus on disposal of investment building (note 3) (R000)	1 672	—	

BALANCE SHEET

	1987 R000	1986 R000
Source of capital		
Share capital and reserves	132 965	121 942
Long-term liabilities	479	513
Deferred taxation	12 563	9 928
	146 007	132 383
Employment of capital		
Fixed assets	131 610	102 800
Property development, townships and mine residues	31 835	35 051
Current assets	12 529	19 724
Stocks and stores	4 720	3 034
Debtors	4 606	7 149
Cash and gold on consignment	3 203	9 541
Total assets	175 974	157 575
Current liabilities	29 967	25 192
Interest bearing	34	34
Other	29 933	25 158
	146 007	132 383
Salient features		
Net asset value per share (cents)	1 072	983
Liabilities to equity ratio	0.23	0.21
Current ratio	0.42	0.78

NOTES:

1. Sand treatment

	1987	1986
Operating results		
Sand and slime treated (000 tons)	6 378	5 421
Gold produced (kg)	2 814	2 390
Yield (grams per ton)	0.44	0.44
Revenue (rand per ton treated)	13.10	11.68
Cost (rand per ton treated)	8.67	7.14
Working profit (rand per ton treated)	4.43	4.54
Gold price received (rand per kg)	29 338	26 241
	R000	R000
Revenue	83 521	63 322
Costs	55 291	38 683
Working profit	28 230	24 639
Amortisation	6 880	5 529
Operating profit	21 350	19 110
Capital expenditure	22 732	33 584

The new plant at City Deep reached full operating capacity during May 1987 and a direct comparison of the results for the 1986 and 1987 financial years can accordingly not be made. The City Deep plant processed approximately 1.0 million tons of material to 30 September 1987, and this is principally the reason for the 18% increase in gold production of 424 kilograms over the previous year.

2. **Review of results**
The profit after taxation increased from R15.3 million in 1986 to R19.3 million, thereby exceeding the forecast made to shareholders in the interim statement and reflecting an improvement of 26% over the 1986 results.

3. **Disposal of investment building**
The surplus arising on disposal of an investment building to Plasser Railway Machinery (Proprietary) Limited has been transferred to non distributable reserves.

4. **Final dividend**
A final dividend of 63 cents (1986: 48 cents) per share has been declared in terms of the accompanying dividend notice. The total distribution for the year is 80 cents (1986: 65 cents) per share.
A higher level of dividend than that envisaged in the 1986 Chairman's statement has been declared mainly as a result of the company's low gearing, both present and in the year ahead, and following completion of the company's major capital expenditure phase on sand treatment plants.

5. **Posting of annual financial statements**
The company's annual financial statements will be mailed to shareholders during the second half of November 1987.

Johannesburg
22 October 1987

For and on behalf of the board
D. T. Watt, J. R. Forbes, A. B. Hall, Directors

DECLARATION OF DIVIDEND No. 23

Notice is hereby given that dividend number 23 of 63 cents per share, has been declared in South African currency as a final dividend in respect of the year ended 30 September 1987 payable to members registered at close of business on 13 November 1987. This dividend, together with the interim dividend number 22 of 17 cents per share which was declared on 28 April 1987, makes a total distribution in respect of the financial year ended 30 September 1987 of 80 cents per share (1986: 65 cents per share).

The register of members of the company will be closed from 14 November to 20 November 1987, inclusive, and dividend warrants will be posted on or about 4 January 1988.

The dividend is declared in the currency of the Republic of South Africa. The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom registrars, transfer and paying agents will be the telegraphic rate of exchange between Johannesburg and London ruling on the first business day after 14 November 1987 on which foreign currency dealings are transacted.

Where applicable, non-resident shareholders' tax of 15% will be deducted from the dividend.

By order of the board
S. Mia, Secretary

Johannesburg
22 October 1987

Registered Office
5 Press Avenue
Crown Mines
2092 South Africa
(PO Box 27, Crown Mines
2025 South Africa)

Transfer Secretaries
Rand Registrars Limited
Corner Northern Parkway and Handel Road
Ormonde, Johannesburg
2091 South Africa
(PO Box 82549 Southdale 2135 South Africa)

Secretaries in the United Kingdom
Charter Consolidated Services Limited
40 Holborn Viaduct
London EC1P 1AJ

United Kingdom Registrars and Transfer Agents
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Gerrard & National HOLDINGS PLC

INTERIM STATEMENT

The Group made a good start to the year but did not fully anticipate the severity of the decline in fixed interest markets since the middle of June. Profits for the first six months of the year are small but slightly higher than for the corresponding period last year.

The Directors have decided to pay an interim dividend in respect of the half year to 5th October, 1987 of 3p per share (1986: 3p per share) which will cost £1,143,428. The dividend will be paid on 2nd December, 1987 to members on the register at the close of business on 13th November, 1987. Transfer books will be closed for the day on 16th November, 1987.

It is not the practice of the Company to send the half yearly report to shareholders but it is published in recognised financial newspapers and copies of it are available to the public at the Company's registered office, 32 Lombard Street, London EC3V 9BE.

22nd October, 1987

WYLE LABORATORIES

NOTICE OF ADJUSTMENT IN CONVERSION PRICE

PURSUANT to action taken by the Board of Directors of Wyle Laboratories on October 1, 1987, a five-for-four stock split was declared, to be effected in the form of a 25% stock dividend on the corporation's Common Stock. Such stock dividend shall be distributed October 30, 1987 to the holders of record of such Common Stock at the close of business on October 15, 1987.

NOTICE IS HEREBY GIVEN pursuant to Section 1265(b) of that certain Indenture dated as of March 15, 1987 between Wyle Laboratories and Security Pacific National Trust Company (New York), as Trustee, related to the Company's 6-1/4% Convertible Subordinated Debentures Due 2002 ("Debentures") that the conversion price has been adjusted, and hereafter holders will be entitled to convert Debentures into Common Stock of the Company at the rate of one share of Common Stock for each $15.40 principal amount of Debentures.

By: Wyle Laboratories

Dated: October 16, 1987

UK COMPANY NEWS

Evered set to dispose of overseas engineering arm

BY ANDREW TAYLOR

Evered, the industrial holdings group headed by the Abdullah brothers, is expected to announce today that it has agreed to sell its loss-making overseas contracting and civil engineering subsidiary, Pauling, in a management buy-out.

A nominal price is understood to have been agreed for the business, reflecting recent losses at Pauling, formerly part of London and Northern, the construction, building products and healthcare group acquired by Evered for £100m in April this year.

There have been rumours in the construction industry for some time concerning Pauling's future with Evered. The announcement of a management buy-out will not surprise British contractors which have recently bid against Pauling for overseas contracts.

Evered is understood to have been concerned about the high risks associated with overseas contracting. The sale is expected to release it from bonding liabilities of about £1.3m. Pauling has net assets of £300,000. The cost of liquidating Pauling was understood to have been considered by Evered to have been substantial.

The group will, however, retain its 49 per cent stake in Dutco-Pauling, a roadbuilding joint venture in Dubhai.

Earlier this week Evered announced that it had acquired a 14.3 per cent stake in Henderson Group, industrial doors and security products company, for £11.8m.

Pauling presently has work in India, although there is some confusion over a £39m road contract in Cameroon, West Africa which the contractors had appeared to be on the point of winning.

Amid uncertainty over its future with Evered, Pauling was thought to have withdrawn from the competition, despite underbidding its rivals. It has now telexed organisers to say that it wishes still to be considered for the project. Scott Wilson Kirkpatrick of Britain is consulting engineer for the road scheme, which is to be financed partially by the Overseas Development Administration.

Atlas pushes past £1m mark

Atlas Converting Equipment, USM-quoted manufacturer of slitting and rewinding machines, vacuum metallisers and vacuum furnaces, produced a pre-tax profit of £1.01m for the six months to end June compared with £569,000 for the corresponding period of the previous year.

Turnover for the period was up from £3.78m to £5.78m.

Tax of £354,000 (£215,000) left earnings per 5p share at 8.1p (4.4p). An interim dividend of 2.5p is being paid. Last year the company, which came to the market in July 1986, made a single payment of 3.3p.

The directors said that prospects for the group remained good and forward orders for 1988 should ensure continued sales growth.

During the first six months all divisions increased sales in line with expectations and in addition General Vacuum Equipment achieved sales of approximately £1.1m.

Contract completions in 1987, the directors said, had been more evenly spread than usual so that there would not be thedisparity between first and second half year sales and profits which had been evident.

The Titan subsidiary has been relocated to premises of 16,000 sq ft at Stevenage. After re-equiping the factory additional space will enable the company to transfer production of some contracts.

Gerrard & National makes 'small' profit

BY HUGO DIXON

Gerrard & National, the discount house, made "small" profits in the six months to October 5 - a description that is understood to mean £1m-£2m.

Gerrard, which does not put a figure on profits at the half-way stage, said its earnings were "slightly higher" than in the corresponding period last year.

Mr Roger Gibbs, chairman, said the half-year had started well, but the company had not fully anticipated the decline in gilts prices following the June General Election. "We were in the school of thought that believed a wall of money would come in after the election."

This week's turbulence in equity market had been good for fixed-income securities, Mr Gibbs said, and the second half of the year had started well.

"Sentiment is good and one would expect that to continue," he said, though he cautioned: "One simply does not know from one day to the next."

WA Holdings produces 18% halfway increase

AN 18 per cent increase in pretax profits from £564,000 to £665,000 for the half year to July 31 was revealed by W A Holdings, distributor of rubber and plastic products, pushchairs and nursery products.

Mr Brian North, the chairman, said the industrial side performed well, increasing profits by 44 per cent on a 29 per cent sales rise.

In the consumer division, Bebecar (nursery products) was affected by poor weather but profits were ahead on constant sales. M E Mechanical Handling achieved close to break-even.

On current trading prospects, Mr North said demand continued buoyant in the industrial division and while sales in Bebecar had not yet improved, the 1988 collection had been well received.

Benefit of interest receivable on the balance of the proceeds of August's rights issue was flowing through to profits. " Prospects for the future are encouraging".

Turnover in the period rose 12 per cent to £10.29m and the trading profit was up from £642,000 to £742,000. Attributable profits were £457,000 (£380,000) for earnings of 1.59p (1.39p). The directors intend to pay dividends on a more even basis and accordingly have declared an interim of 0.4p. There was a single payment of 1p for the year to January 31 1987.

COMMODITIES AND AGRICULTURE

British Columbia challenges marketing system

THE PROVINCIAL Government of British Columbia has thrown down a gauntlet to Canadian agriculture officials by threatening to pull its farmers out of national marketing boards for chickens, eggs, turkeys and processed milk, writes David Owen in Toronto.

In a policy statement, Mr John Savage, the province's Agriculture Minister, said that the marketing systems "must be made more flexible and oriented to market development . . . The overall objective is not to destroy a system of supply management but to make sure the system works in British Columbia's interest."

Under the Canadian marketing board system, established in the mid-1970s, each province is given a fixed share of the national market for the four products.

The system has been criticised for inefficiency through not taking sufficient account of changing trends. As a result, some provinces have retained a disproportionately large quota regardless of comparative costs.

The situation has been exacerbated by population shifts with the net result, according to an official in Mr Savage's office, that British Columbia now has 12 per cent of the Canadian population but only 3 per cent of the milk quota. Similarly, eggs are regularly shipped to the west coast from Manitoba and Quebec, even though local producers could meet the bulk of demand at significantly lower cost.

Federal officials have suggested that the province's stance is a bargaining ploy to win a bigger market share for their producers. The threats cannot take effect for at least a year, they point out, and the move follows a series of similar ultimatums levelled by various provinces in recent years.

Canada faces farm trade upheaval

David Owen examines the agriculture implications of the free trade agreement with the US

THE recently-forged free trade agreement between Canada and the US has set the scene for a trial of strength between Canadian farmers and the domestic food processing industry over the country's politically-sensitive agricultural marketing boards.

The marketing board system entitles each Canadian province to a fixed share of the national market for four commodities: eggs, chickens, turkeys and processed milk. Imports are strictly controlled.

Under the terms of the tentatively-agreed free trade pact, bilateral tariffs for all food products will be eliminated over a 10-year period. That will pit Canadian food processors (many of whom are subsidiaries of US conglomerates) against their US counterparts in head-to-head competition.

However, while plans are in place eventually to permit free trade between the two countries in red meats and fruit and vegetables, the marketing boards themselves have emerged from negotiations essentially unscathed. "The negotiators were able to protect the underpinnings to such an extent that it shouldn't really make any material change," according to Mr Phil Jensen, a senior trade policy official with Agriculture Canada.

Since poultry and eggs are generally cheaper in the US than in Canada, this makes it highly likely that Canadian processors, already concerned about competing with US plants without the substantial economies of scale available south of the border, may also be faced with significantly higher raw materials costs.

"If you control supply management without controlling the finished products that come across the border, you put Canadian manufacturers at a disadvantage," says Mr Tom Peddie, chief financial officer of Campbell Soup's Canadian operations.

Mr John Grant, president and chief executive of Quaker Canada, believes that Canadian processors will have to cope with a 10 per cent cut in prices to remain competitive in a free trade environment. "We will be looking to source raw materials as cheaply as possible," he warns. "I am very pessimistic about the Canadian agricultural sector in this scenario."

If such a situation arises, the processors are likely to react by lobbying intensely for the marketing board system to be modified or scrapped. If steps were not then taken to equalise raw materials prices on both sides of the 49th parallel, some US-owned companies would presumably feel little compunction about shutting up shop and supplying Canada from south of the border. "We would be able to bring some finished products across the border," says Campbell Soup's Mr Peddie. "We would not manufacture the wide range of products we manufacture now," he adds.

Canadian processors may also continue to face higher prices for wheat than their US counter parts.

At present, the Canadian Wheat Board runs a two-tier price system whereby domestic farmers sell some 10 per cent of their crop for domestic consumption at C$7 (£3.20) a bushel and the remainder to the world market at around S$3.

Under the free trade pact Canada has agreed to eliminate the import licensing system necessary to sustain this arrangement as soon as support levels in both countries are equivalent. There is, however, no telling when this might happen. Currently, there is a wide discrepancy, with the US providing about C$50 a tonne more by way of support for its growers than does Canada. Mr Charlie Mayer, the Canadian wheat Board Minister, has told farmers not to worry about changes to the system for at least five years.

Clearly, if the present system were to outlive the phase-down period for fod product tariffs, it would spell more problems for Canadian processors. "Obviously, you cannot have free trade with us paying twice the price for wheat as our US competitors," says Mr Ron Adlam, vice president, planning, of Nabisco Brands, the RJR Nabisco subsidiary.

According to Mr Jensen, officials are aware of the problems ahead. Processors' concerns will be "examined in the light of changed competitive circumstances," he says.

Venezuela said to be planning gold sales

By Joe Mann in Caracas

THE VENEZUELAN Government has decided to sell around 10 tonnes of gold per year as a means of increasing income, according to a report published in Caracas today.

The El Universal newspaper said the administration of President Jaim Lusinchi will sell part of the gold it has purchased from miners working in the mineral-rich Juayana region of Southern Venezuela. The Government is reported to have bought over 10.6 tonnes of gold from Juayana miners over the past year.

The report also said that the Government had asked Credit Suisse and the Bank for International Settlements to assist in selling the gold to international buyers and storing it.

The Government apparently is not tapping its standard gold reserves which are stored in a Central Bank. These reserves have remained stable over the last several years. Official figures indicate that the Central Bank held over 11m troy ounces of gold as part of its international reserves, at the end of last year.

The gold purchased recently from Juayana miners was not entered into the country's gold reserve figures because the Government has been planning to sell it.

Venezuela's international reserves are actually much higher than the Government reports. The Administration occasionally makes public information on the central Bank's international reserves, which were recently reported at around $9.3bn.

The Government, however, only values its gold at $300 per ounce, far below the actual market rate. Not included in the Central Bank's figures are foreign reserves held by a Government-owned financial entity, the Venezuelan Investment Fund, which last month stood at around $1.5bn, or the national oil company, PDVSA, which average around $2bn per month. If these three categories are added together Venezuela's foreign reserves naturally stand at around $13bn.

US studies Iran oil embargo

BY MAX WILKINSON, RESOURCES EDITOR

THE US administration is re-considering the idea of an oil embargo against Iran, Mr William Martin, deputy secretary for energy, said in London yesterday.

Mr Martin told a conference on oil and money that the declaration of an oil embargo against Iran was of "more value in a symbolic way than any other."

He said the idea was very complicated because of the large amount of surplus oil on the market and because a lot of people do not like sanctions.

"We shall have to look very carefully at it," he said and confirmed that the policy was under review.

In answer to a question about the US's current military presence in the Gulf, Mr Martin recalled that President Ronald Reagan had given an undertaking to the London Economic Summit in 1984 that the Straits of Hormuz would be kept open for tankers. This undertaking was given in response to great anxiety at that time from Japan which relies on the Gulf for a large part of its crude imports.

In his speech to the conference organised by the International Herald Tribune and the Oil Daily, Mr Martin said that the world now had the capability of producing 10m barrels a day more oil than it needs.

"Should another oil disruption occur, the US and its partners in the International Energy Agency could release 4m barrels a day of from strategic stocks." By the early 1990s this figure could have risen to 6m barrels a day, which would be an important cushion in the event of a disruption.

He added: "Is it any wonder that the Organisation of Petroleum Exporting Countries is having difficulty maintaining the price of oil, despite the increased hostilities in the Gulf?"

African famine looms again

BY MICHAEL HOLMAN

PARTS OF Africa are once again facing the "spectre of famine," Mr Edouard Saouma, director-general of the Food and Agriculture Organisation, warned this week.

In a statement accompanying the release of an FAO report on food supply and crop prospects in sub-Saharan Africa, Mr Saouma singled out Ethiopia as especially vulnerable. According to the report, serious crop failures in northern and eastern areas of the country are now "inevitable."

"Severe food supply problems will arise at the end of 1987 and continue throughout 1988," says the FAO: "To avoid widespread suffering and deaths in the months ahead, urgent action must be taken." Ethiopia's food needs in 1988 could exceed 950,000 tonnes, the Rome-based organisation estimates. Pledges made so far for next year amount to 218,000 tonnes.

The FAO report also warns that the food supply situation in Angola and Mozambique, where harvests have been disrupted by civil conflicts as "precarious." In Angola the food needs of the country's 2m urban population and 690,000 people displaced by the war will have to be met almost entirely by imports. Cereal required for the year beginning April 1987 are put at 340,000 tonnes of which only 100,000 tonnes will be imported on commercial terms. Donor pledges so far amount to 118,000 tonnes of which only 27,000 tonnes have been delivered.

In Mozambique an estimated 750,000 tonnes of cereals for the year beginning May 1987 are needed to feed 3.2m people in the countryside as well as an urban population of 3.2m. Donor pledges so far amount to 507,000 tonnes of which 272,000 tonnes have been delivered.

Other countries hit by poor rains and civil conflict include Chad, Sudan and Uganda. Below normal harvests in Malawi, Zambia and Zimbabwe will result in stocks being depleted, says the FAO.

Total 1987-88 food requirements of the 18 countries which have entered their new marketoing year are estimated by the FAO at 1.61m tonnes, 320,000 tonnes higher than last year. Undelivered pledges carried forward from 1986-87 and new donor allocations to these 18 countries amount to 1.05m tonnes, leaving an uncovered food aid gap of 0.56m tonnes, the report calculates.

"For survival in 1987-88 Africa will therefore need substantially more food aid," writes Mr Saouma.

Commission loses Irish export case

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Court of Justice yesterday decided that the European Commission was wrong to have disallowed payments of I£2.28 to the Irish Government for alleged breaches of EC regulations on export subsidies.

The judgment has some important implications for the so-called "clearance of accounts" system, effectively an internal audit in Brussels of funds paid out by the Community for agricultural market support.

The Commission had retrospectively disallowed the payment of refunds on butter and butter oil exports on the grounds that although shipped from Dublin to Rotterdam they had not left the Community as required within 60 days of the completion of formalities.

The Court's judgment, published yesterday, took a more liberal interpretation and emphasised that what mattered was whether the goods had left the first port of loading in time.

Saudi Arabia tries to slow Barley influx

SAUDI ARABIA has cut its barley import subsidy by two-thirds to reduce rampant over-importing.

The import subsidy is down from about US$80 a tonne to $26.60 a tonne. At the old subsidy rate, importers found that they could make a profit of $10 per tonne on American barley simply by bringing it in the country. US barley costs only $70 a tonne.

That state of affairs led to massive over-importing. The kingdom's herds of goats, sheep and camels eat perhaps 5.5m tonnes of barley a year, but during the past year, ending in August, imports topped £8.1m tonnes at a cost to the Government of $648m.

The Government had originally implemented barley subsidies to benefit small farmers and the Bedouin, who maintain herds of livestock. But once the US launched its Export Enhancement Programme and the European Community retaliated, prices for barley plummetted. The Kingdom's traditional barley suppliers, such as Australia, were squeezed out of the market.

The surge in unnecessary barley imports caused acute problems for the Ministry of Finance. At one point, the Kingdom's banks were directed to stop issuing letters of credit for barley imports, but that was overturned after two weeks.

The barley problem is also being attacked from another direction. The Government has begun offering subsidies to grow barley, partly to discourage over-production of wheat.

Saudi Arabia's 1986 wheat harvest reached 2.3m tonnes, which the Government purchased at $533.33 a tonne. The total bill was $1.227bn.

The Saudi wheat harvest more than covers estimated demand of 800,000 tonnes a year, and has generated an expensive surplus. Not only is the wheat costly to buy, but it is costly to store in Government silos. In addition to the purchase subsidy, the Government assists farmers with subsidised loans, water, electricity and fuel.

The kingdom has begun offering a SR 1,000 ($266.67) per tonne growing subsidy for barley. The Government is also requiring the five big publicly-held argricultural firms to plant one-third of their crop in barley. These five firms account for over a quarter of total Saudi wheat production. By shifting some of their production into barley the Government hopes to cut back the wheat surplus. Last year, the Saudis exported 1.6m tonnes of their subsidised wheat to countries such as Egypt, Jordan and Bangladesh.

Barley production is expected to grow. Winter barley production last year was 2,149 tonnes but this may rise to 500,000 tonnes this year.

LONDON MARKETS

LONDON METAL exchange prices continued to move in response to stock exchange movements yesterday, although the degree of response varied from metal to metal. Aluminium's initial reaction to news of the missile attacks on the Kuwaiti oil terminal was the normal rise. But as the news had the opposite effect on equities the gain was quickly wiped out. By the close cash standard aluminium was £29.50 down at £1,142.50 a tonne, the lowest closing level for a month. Copper prices moved erratically before ending a little below Wednesday's close. After being driven down by the heavy opening declines in Wall Street they rallied on fresh buying before settling back on commission house selling. Lead remained under pressure and the three months position fell about £9 a tonne before finding support, but zinc ended little changed. On the cocoa futures market prices came under pressure from belated hedging against recent physical sales by producer and shippers. Dealers said bearish fundamentals and chart patters were being reasserted following the recent rally, which had been based mainly on covering against earlier short sales. They noted that Brazil and Nigeria had been selling cocoa beans while supplies were also expected to be offered from the Ivory Coast, Malaysia and Indonesia.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.)	+ or —	High/Low
	$ per tonne		
Cash	1890-900	—66	—
3 months	1780-90	—45	1810/—

Official closing (am): Cash 1810-20 (1860-70), three months 1810-15 (1840-50), settlement 1820 (1960). Final Kerb close: —. Ring turnover: 880 tonnes.

99.5% purity	£ per tonne		
Cash	1140-5	—29.5	—
3 months	1088-9	—24	1089/1085

Official closing (am): Cash 1195-6 (1174-8), three months 1085.5.5 (1088-6), settlement 1156 (1176). Final Kerb close: 1072-3. Ring turnover: 19,100 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1169-70	—6.5	1200/1172
3 months	1092-4	—15.5	1110/1070

Official closing (am): Cash 1200-2 (1176-7), three months 1095-100 (1104-6), settlement 1202 (1177). Final Kerb close: 1085-6.

Standard			
Cash	1150-60	—6	—
3 months	1080-90	—17.5	—

Official closing (am): Cash 1170-80 (1155-65), three months 1095-100 (1100-4), settlement 1180 (1165). US Producer prices 82.25-93 cents per lb. Total ring turnover 41,525 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	358-9	—9	361/359
3 Months	351.5-52	—8.75	361/350

Official closing (am): Cash 358-59 (369.5-70), three months 362-2.5 (363.5-64), settlement 359 (370). Final Kerb close: 350-50.5. Ring turnover: 10,625 tonnes. US Spot: 42 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3450-60	(—)	3460/3455
3 months	3440-5	+10	3450/3425

Official closing (am): Cash 3455.60 (3500-20), three months 3420-5 (3480-5), settlement 3460 (3520). Final Kerb close: 3450-60. Ring turnover: 1,764 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	468-70	—1.5	470/—
3 months	471-2	—5	474/466.5

Official closing (am): Cash 469.5-70-5) (477-8), three months 473-3.5 (479.5-80), settlement 470.5 (478). Final Kerb close: 470-1. Ring turnover: 5,650 tonnes. US Prime Western: 43-43.75 cents per lb.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—
	—	—	—
	—	—	—

		Calls Nov.	Calls Jan.	Puts Nov.	Puts Jan.
Aluminium 99.5%	1,725	160½	112½	2½	77½
	1,750	137½	108	4½	89½
	1,800	95	78	12	116½
Copper (Grade A)	1,750	142½	122	4½	76½
	1,800	100	97	12	100
	1,850	64	75	26	127½
Copper (Grade A)	£/tonne 1,175	73½	68	3½	43½
	1,100	53	60	7½	56
	1125	35½	39½	15	70

TIN

KUALA LUMPUR TIN MARKET: Close 17.24 (17.23) ringgit per kg. Up 0.01 ringgit per kg.

GOLD

GOLD BULLION (fine ounce)	Oct. 22	
Close	$471¼-471¾	(£285-285½)
Opening	$468-468½	(£283¾-284¼)
M'n'g fix	$469.80	(£284.580)
Aft'n'n fix	$471.65	(£285.071)
Day's high	$475¾-476½	—
Day's low	$468-468½	—

GOLD AND PLATINUM COINS		
Am Eagle	$485-490	(£294-297)
Mapleleaf	$484-489	(£293¼-296¼)
Kr'g'r'nd	$470-475	(£284¾-286¾)
½ Krug	$245-250	(£148½-151½)
¼ Krug	$125-130	(£75¾-78¾)
Angel	$482-487	(£292¼-295¼)
1/10 Angel	$49-54	(£29¾-32¾)
New Sov.	$111-112	(£67¼-67¾)
Old Sov.	$111-112½	(£67¼-68)
Britannia	$485-490	(£294-297)
Noble Platt	$590-600	(£357½-363¾)

INDICES

REUTERS

Oct. 21	Oct. 20	M'th ago	Year ago
1658.9	1640.1	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Oct. 21	Oct. 20	M'th ago	Year ago
Spot	126.26	125.16	—	122.48
Fut	129.11	127.32	—	121.75

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

‡ Unquoted. † Per 75 lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec. v Jan-Feb.

	Oct. 22 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1916/925	—60	$1775/785
Copper			
Cash Grade A	£1169.5		£1126.5
3 months	£1093.0	—15.5	£1104.75
Gold Troy oz	$471.5	+5.0	$464.25
Lead Cash	£358.5	—9.0	£378.5
3 months	£351.75	—8.75	£366.5
Nickel			
Free Mkt	258/273c	—6	240/260c
Palladium oz	$132.00	+2.50	$137.75
Platinum oz	$577.00	+11.5	$589.90
Quicksilver†	$296/305		$310/325
Silver troy oz	454.05p	+1.45	465.25p
3 months	465.55p	+1.10	476.70p
Tin			
free Mkt	$4170/290		$4155/185
Tungsten	$51.14		$53.78
Wolfram 22.0lb	$58/60		$58/60
Zinc	£469	—1.5	£455.5
3 months	£471.5	—3.0	£460.5
producers	$825		$860
OILS			
Coconut (Phil)	$490t		$495
Palm Malayan	$350y	+2.5	$360
Seeds			
Copra (Phil)	$320	—5	$340
Soyabean (U.S.)	$166		‡
GRAINS			
Barley Fut. Jan.	£106.60	+0.50	£103.80
Maize	£134.00	+0.50	£144
Wheat Fut. Jan.	£111.15	—0.25	£106.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1196.5	—14.6	£1253
Coffee Ft. Jan	£1351	—2.5	£1350.5
Cotton A Ind.*	74.55c	—1.0	83.20c
Gas Oil Dec.	$171.75	+1.50	$157.75
Rubber (kilo)	65p		68.5p
Sugar (raw)	$180.4w	+4.0	$163.2
Wooltops 64s	500p kilo		498p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec. v Jan-Feb.

SILVER

Silver was fixed 1.45p an ounce higher for spot delivery in the London bullion market yesterday at 454.05p US cent equivalents of the fixing levels were: spot 750.15 cents down 0.25 cents; three-month 765.50 cents, down 0.95 cents; six-month 780.55 cents, down 1.35 cents; and 12-month 813.45 cents, down 1.85 cents. The metal opened at 451½-453½p (745-748 cents) and closed at 453-455p (748-752 cents).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	454.05p	+1.45	744c	+8.5
3 months	465.55p	+1.10	759c	+8.5
6 months	477.20p	+1.10	—	—
12 months	500.90p	+0.75	—	—

LME—Turnover: 0 (0) lots of 10,000 oz.

Final kerb close 775.80c.

COFFEE

A relatively quiet day in moderate volume reports Drexel Burnham Lambert. Opening steadier than expected levels soon eased back as trade houses sold into the market. Offers from origin helped to keep the market from attempting any further attempt to rally and robusta levels closed practically unchanged.

COFFEE	Yesterday close	+ or —	Business done
Nov	1316-1318	—6.5	1334-1316
Jan	1350-1352	—2.5	1370-1346
Mar	1370-1372	—6.5	1390-1366
May	1392-1394	—3.5	1409-1391
July	1406-1410	—4.0	1428-1406
Sept	1428-1430	—1.0	1445-1428
Nov	1447-1448	+0.5	1447-1447

Sales: 3,768 (2,797) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 21. Comp daily 1979 110.96 (109.59); 15-day average 111.31 (110.77).

COCOA

In good volume of trade futures lost ground early in the day but rallied later and regained some of the loss to close £12 off on the day. Physicals continue fairly well neglected and little interest was seen in the market, reports Gill and Duffus.

Sales: 4,573 (4,778) lots of 10 tonnes.

COCOA	Yesterday's close £ per tonne	+ or —	Business done
Dec	1161-1162	—17.0	1175-1158
March	1196-1197	—14.0	1208-1195
May	1221-1222	—11.5	1259-1214
July	1242-1243	—11.0	1250-1235
Sept	1262-1263	—11.0	1265-1256
Dec	1287-1288	—10.0	1296-1281
March	1311-1312	—10.5	1315-1308

ICCO indicator prices (SDRs per tonne). Daily price for October 21 1487.02 (1461.82); 10-day average for October 22 1473.9 (1474.40).

FREIGHT FUTURES

Although the market made ground again today profit taking during the afternoon put the dampers on, reports Clarkson Wolff. The physical market remained steady and this trend is likely to continue.

Dry Cargo	Close	High/Low	Prev.
Oct.	1146.5	1149/1141	1158
Jan.	1254	1272/1254	1260.0
Apr.	1293	1308/1292	1291
July	1190	1198/1190	1180
Oct.	1220	—	1220
Jan.	1240	—	1240
April	1300	—	1300
BFI.	1135	—	1123.5

Turnover 1504 (1573).

GRAINS

Wheat market eased on a quiet trade with commission house selling a noted feature, while barley in contrast firmed on restitution optimism with shipper buyers the main support, reports T. G. Roddick.

Mnth	WHEAT Yest'dy's close	+ or —	BARLEY Yest'dy's close	+ or —
Nov	108.90	—0.35	104.20	+0.70
Jan.	111.51	—0.35	106.60	+0.50
Mar.	113.20	—0.30	108.45	+0.55
May	115.50	—0.15	110.00	+0.65
July	117.60	—0.25	—	—
Sept	102.90	—0.45	99.10	—0.15
Nov	104.25	—0.25	101.60	—0.10

Business done—Wheat: Nov 109.10-8.80, Jan 111.40-1.10, Mar 113.35-3.10, May 115.50 only, July 117.60 only, Sept untraded, Nov untraded. Sales: 191 lots of 100 tonnes. Barley: Nov 104.30-3.50, Jan 106.70-6.20, Mar 108.45-8.20, May 110.00 only, Sept untraded, Nov untraded. Sales: 362 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark Northern spring No 2 14 per cent 96.25, Dec 97.00. US No 2 soft red winter Nov 93.75, Dec 96.25. French 11½-12 per cent Oct 136.50 sellers. English feed fob Jan/Mar 115.00 paid East Coast 110.00 seller. Nov 110.50/110.75, Dec 111.25/112.00, Jan/Mar 114.50/115.00, April/June 117.25/118.50 buyer/sellers. Maize: US No 3 yellow/French trans-shipment East Coast Oct 134.00 seller. Barley: English feed Jan/Mar 113.00 paid East Coast Nov 108.00/109.00, Dec 109.25/110.00, Jan/Mar 113.00/113.00 buyer/sellers. Rest unquoted.

HGCA — Locational ex-farm spot prices: Feed Barley: S. East 102.00; W. Mids 102.20; N. West 101.70. The UK monetary coefficient for the week beginning Monday October 26 (based on HGCA calculations using 5 days exchange rates) is expected to remain unchanged.

POTATOES

With market having lost some of recent upside momentum, struggling around £159-£160.00 mark over past three days, profit-taking selling apparent yesterday was again in evidence today. The market fell on opening and although meeting buying interest scale down, nevertheless dropped away as day wore on to close near lows, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	89.00	92.00	91.50-90.00
Feb.	101.50	103.50	
March	93.00	92.50	93.00
Apr.	154.20	155.0	157.40-154.00
May	166.90	170.00	167.50-166.50
Nov	80.00	—	—

Sales: 937 (1,023) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Nov.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.15-17.25	+0.075
Brent Blend	19.10-19.15	+0.15
W.T.I. (1pm est)	20.18-20.23	+0.205
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	185-188	—
Gas Oil	167-169	+1.0
Heavy fuel Oil	104-105	+1.5
Naphtha	164-166	+1.0

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
Dec	150.5-151.0	—0.25	151.0
Feb	152.5-155.5	—1.05	155.5
April	152.5-155.5	—1.00	155.5
June	126.0-127.5	—1.75	—
August	125.0-126.5	—0.25	—
October	128.0-128.8	—	—

Sales: 30 (19) lots of 20 tonnes.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Nov	170.00	+1.25	171.00-169.50
Dec	171.75	+1.50	173.00-170.50
Jan	172.60	+1.50	173.75-171.75
Feb	171.50	+0.75	172.75-171.50

Turnover: 5857 (4673) lots of 100 tonnes.

NEW YORK

ALUMINIUM 40,000 lbs: cents/lbs	Close	Prev	High	Low
Oct	78.50	80.25	—	—
Nov	78.50	80.25	—	—
Dec	78.50	80.25	78.50	78.50
Jan	77.50	79.00	—	—
Feb	—	—	—	—
March	76.00	77.00	—	—
April	—	—	—	—
May	73.50	74.00	—	—
July	70.00	70.00	—	—

COCOA 10 tonnes: $/tonnes	Close	Prev	High	Low
Dec	18.13	18.35	18.30	18.08
March	18.43	18.57	18.50	18.32
May	18.69	18.90	18.77	18.65
July	18.98	19.08	18.98	18.95
Sept	19.24	19.34	19.25	19.25
Dec	19.60	19.69	—	—
March	19.95	19.93	—	—

COFFEE "C" 37,500 lbs: cents/lbs	Close	Prev	High	Low
Dec	121.77	121.29	121.90	120.10
Mar	125.38	125.82	126.00	124.50
May	128.00	127.89	128.00	126.55
Jul	129.54	129.13	130.50	127.75
Sept	132.00	131.00	132.00	129.75
Dec	132.50	131.25	—	—
Mar	130.96	130.96	—	—

COPPER 25,000 lbs: cents/lbs	Close	Prev	High	Low
Oct	80.60	78.70	—	—
Nov	80.40	78.60	—	—
Dec	79.90	78.00	80.00	76.75
Jan	79.25	77.40	—	—
March	78.00	76.25	78.00	74.50
May	77.30	75.60	76.90	74.10
July	76.70	75.10	—	—
Sept	76.70	75.10	75.40	75.35
Dec	76.70	75.10	76.00	74.00
Jan	76.70	75.10	—	—
March	76.70	75.10	76.50	74.50
May	76.70	75.10	—	—

COTTON 50,000 lbs: cents/lbs	Latest Close	Prev	High	Low
Dec	65.75	65.97	66.30	65.10
March	66.95	66.35	66.00	65.90
May	68.20	68.86	68.70	67.80
July	67.80	68.80	68.80	67.80
Oct	64.00	64.35	64.50	64.00
Dec	62.65	63.45	63.80	62.65
March	64.75	64.80	64.80	64.75

CRUDE OIL (LIGHT) 42,000 US gallons $/barrels	Latest	Prev	High	Low
Dec	20.18	20.05	20.25	20.02
Jan	20.12	20.00	20.13	19.99
Feb	20.04	19.95	20.13	19.96
March	20.00	19.90	20.07	19.91
April	19.96	19.85	19.96	19.88
May	19.90	19.80	19.92	19.89
June	19.85	19.76	19.85	19.85
July	19.80e	19.72	—	—
Aug	19.78	19.68	19.75	19.75
Sept	19.70	19.64	19.70	19.70

GOLD 100 troy oz; $/troy oz	Close	Prev	High	Low
Oct	469.8	468.1	476.5	470.0
Nov	469.9	469.2	—	—
Dec	473.2	471.7	479.7	472.5
Feb	479.1	477.7	485.7	476.0
April	485.3	484.0	491.5	484.5
June	491.6	490.4	499.0	493.5
Aug	498.1	497.0	500.0	500.0
Sept	—	480.0	—	—
Oct	504.8	503.8	506.0	506.0
Dec	511.5	510.6	516.6	511.5
Feb	518.4	517.6	—	—
May	—	—	—	—
June	530.0	532.4	—	—
Aug	540.3	539.8	547.0	540.0

HEATING OIL 42,000 US gallons cents/US gallons	Latest	Prev	High	Low
Nov	57.56	57.12	57.75	57.05
Dec	57.85	57.42	58.00	57.30
Jan	57.90	57.54	58.05	57.40
Feb	57.30	57.20	57.60	57.10
Mar	56.10	55.85	56.40	56.00
April	53.00	53.10	53.35	53.00
May	52.00	51.70	52.50	52.00
June	52.00	51.05	52.00	52.00

ORANGE JUICE 15,000 lbs: cents/lbs	Close	Prev	High	Low
Nov	143.25	142.70	143.00	141.20
Jan	141.80	141.20	142.00	139.30
March	141.60	141.50	142.00	139.00
May	141.60	141.50	140.25	140.10
July	139.30	141.80	141.00	140.25

PLATINUM 50 troy oz $/troy oz	Close	Prev	High	Low
Oct	570.6	578.0	582.5	569.5
Nov	—	—	—	—
Dec	575.9	578.7	—	—
Jan	577.8	580.5	589.0	573.0
Feb	—	—	—	—
April	587.1	590.0	592.5	584.0
July	597.1	600.0	606.5	[illegible]
Oct	607.8	610.5	613.0	609.0
Jan	618.6	621.5	—	—

SILVER 5,000 troy oz: cents/troy oz	Close	Prev	High	Low
Oct	742.3	749.0	753.0	753.0
Nov	743.7	741.7	—	—
Dec	749.5	746.5	770.0	744.0
Jan	753.2	751.4	769.0	748.0
Mar	764.1	762.6	787.0	760.0
April	—	—	—	—
May	774.7	772.8	791.0	780.0
July	781.5	784.6	804.0	788.0
Sept	796.0	795.5	817.0	795.0
Dec	813.0	812.5	832.0	806.0
Jan	819.1	851.9	—	—
Mar	832.0	875.0	—	—
May	844.2	888.4	—	—
July	856.3	901.5	876.0	866.0

SUGAR WORLD "11" 112,000 lbs, cents/lbs	Close	Prev	High	Low
Jan	7.10	6.90	7.26	6.96
Mar	7.52	7.36	7.54	7.42
May	7.54	7.46	7.64	7.53
July	7.73	7.57	7.73	7.61
Oct	7.82	7.70	7.84	7.73
Jan	7.97	7.96	—	—
Mar	8.24	8.15	8.15	8.15

CHICAGO

LIVE CATTLE 40,000 lbs Cents/lbs	Close	Prev	High	Low
Dec	64.32	65.62	65.15	64.32
Feb	61.77	63.27	62.82	61.77
April	63.15	64.65	64.00	63.15
June	63.05	64.45	63.70	62.55
Aug	61.65	63.05	63.00	61.65
Oct	60.35	61.65	61.50	60.15
Dec	62.50	62.50	—	61.50

LIVE HOGS 30,000 lbs: cents/lbs	Close	Prev	High	Low
Dec	44.82	45.27	45.15	43.95
Feb	42.42	43.00	43.00	41.75
April	39.30	40.22	40.05	39.10
June	42.40	42.92	42.70	41.85
July	42.42	43.10	42.80	42.25
Aug	41.37	42.12	42.00	41.10
Oct	38.60	39.10	39.10	38.60
Dec	39.50	39.62	39.50	39.00

MAIZE 5,000 bu min; cents/56lb-bushel	Close	Prev	High	Low
Dec	182.0	183.2	183.0	180.2
Mar	187.2	189.6	189.0	186.2
May	192.6	195.2	194.2	191.0
Jul	197.4	199.2	197.6	195.4
Sep	193.6	194.0	193.6	192.0
Dec	191.2	191.4	197.4	189.0
Mar	198.0	198.4	198.4	196.0

SOYABEANS 5,000 bu min; cents/60lb-bushel	Close	Prev	High	Low
Nov	536.4	536.2	537.0	527.4
Jan	544.6	545.2	546.0	535.0
Mar	551.2	553.6	552.4	544.0
May	555.0	559.0	557.0	546.4
Jul	559.4	563.2	561.0	551.4
Aug	555.0	560.0	560.0	550.0
Sept	546.0	553.0	550.4	540.4
Nov	544.0	551.2	550.0	538.0

SOYABEAN MEAL 100 tons; $/ton	Close	Prev	High	Low
Dec	176.8	178.2	177.5	173.2
Jan	171.5	173.5	172.6	168.6
March	168.4	170.5	169.3	165.5
May	166.2	168.7	166.9	163.5
July	166.0	166.2	166.5	162.5
Aug	163.2	165.7	165.0	162.0
Sept	162.0	164.1	165.5	161.5
Oct	—	—	—	—
Dec	162.0	164.5	164.5	161.5

SOYABEAN OIL 60,000 lbs; cents/lbs	Close	Prev	High	Low
Dec	17.86	17.75	17.85	17.40
Jan	18.00	17.86	18.01	17.60
March	18.31	18.27	18.34	17.91
May	18.52	18.51	18.55	18.20
July	18.70	18.70	18.70	18.40
August	18.66	18.70	18.65	18.45
Sept	18.62	18.75	18.70	18.50
Oct	—	—	—	—
Dec	18.86	18.90	18.80	18.65

PORK BELLIES 38,000 lbs; cents/lbs	Close	Prev	High	Low
Feb	56.52	57.42	57.25	55.52
March	56.15	57.12	55.85	55.35
May	57.40	58.12	57.75	54.52
July	58.60	57.70	57.70	56.30

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Prev	High	Low
Dec	302.0	302.2	302.0	295.4
Mar	313.2	314.2	314.0	308.0
May	310.0	311.0	310.0	307.0
July	295.4	296.4	295.4	291.4
Sep	297.0	296.4	297.0	295.4
Dec	306.0	307.0	306.0	306.0

SPOT PRICES: Chicago loose lard 14.00 (same) cents per pound. Handy and Harman silver bullion 747.00 (739.00) cents per troy ounce. New York tin 319.00/320.00 (same) cents per pound.

SUGAR

LONDON DAILY PRICE—Raw sugar $180.40 (£109.40), up $4.00 (£2.40) a tonne for November/December delivery. White sugar $188.50, up $7.50.

	Yestard's close	Previous close	Business done
	$ per tonne		
No. 4 Raws			
Dec	160.0-156.4	155.2-156.4	158.3-156.0
Mar	168.4-166.6	165.0-165.2	168.5-164.8
May	170.6-171.6	—	170.4-169.8
Aug	174.4-172.6	169.8-170.2	172.6-171.4
Oct	174.4	172.8-172.2	174.2-174.0
Dec	176.0-176.8	173.4-175.0	178.0
Mar	185.0-185.0	188.0-182.0	182.0
No. 5 Whites			
Dec	192.0-188.8	188.0-188.8	193.0-190.0
Mar	196.0	196.5-187.0	189.5-167.2
May	195.0-194.8	199.4-201.2	198.0-192.8
Aug	197.0-198.4	225.0-216.0	138.0-187.2
Oct	217.0-219.5	216.0-218.0	—
Dec	213.0-212.0	206.0-210.0	—
Mar	214.0-225.0	214.0-216.0	—

Sales No 6 3743 (2716) lots of 50 tonnes. No 6 1172 (1267).

Tate & Lyle delivery price for granulated basis sugar was £215.00 (£212.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for Oct 21. Daily price 6.81 (6.33) 15-day average 6.46 (6.41).

RUBBER

PHYSICALS — Closing prices (buyers): Spot 65.00p (same); Nov 67.75p (same); Dec 68.00p (same). The Kuala Lumpur fob prices (Malay/Singapore cents per kg) were: RSS No 1 266.6 (267.5); SMR 20 255.5 (256).

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 94.57p per kg lw (+0.59). GB—Sheep 167.88p per kg est dcw (+3.43). GB—Pigs 73.86p per kg lw (—3.70).

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar nervous but steady

CURRENCY TRADING was relegated mor towards th back seat yesterday as attention once more focused on the wild fluctuations experienced in equity and bond markets. The dollar had opened on a firmer note amid hopes that some progress could be made in tackling the US budget defeit but any support from this was brushed aside in the afternoon as banks reacted to another bloodbath on Wall Street by lopping a quarter of a point off prime rates to 9 per cent.

However, the dollar soon bounced back, aided by a partial recovery in equities and finished virtually where it had closed in London on Wednesday.

Early optimism stemming from President Reagan's announcement, that he was willing to discuss ways of cutting the budget defeit, had given ris to thoughts of increased txation but battle weary analysts were adamant that if the President had resisted this long, he was unlikely to move now.

In addition speculators were unwilling to do much before haring last night's address to the nation by the President. With US interest rates being pushed lower to help liquidity—three-month Euro-dollars fell to 7 13/16 per cent from 8 1/16 per cent—speculators were looking very much for a lower lollar although trading yesterday sa sell orders virtually matched by demand.

The dollar closed at DM 1.8135, the same as Wednesday but touched a high of DM 1.8190 in the morning and a low of DM 1.8000 in the afternoon. It was slightly firmer against the yen at Y144.60 from Y144.15 and finished elsewhere at FFr 6.05 and SFr 1.5055, both unchanged. On Bank of England figures, the dollar's exchange rate index was 101.0 from 100.9.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. September average $1.6458. Exchange rate index 73.4, unchanged from the opening and Wednesday's close. The six months ago figure was 72.4.

Sterling was confined to a narrow range for much of the day. The Bank of England's restraining hand against any rise in terms of the D-mark meant that the only movement of the d[illegible] occured against the dollar. However, with the latter finishing virtually unchanged so sterling showed little movement. Dealers were awaiting the release today of UK trade figures.

The pound closed at $1.6500 from $1.6525 and DM 2.9925 compared with DM 2.9975. Against the yen rose slightly to Y238.5 from Y238.25 and finished elsewhere at SFr 2.4850 from SFr 2.4875 and FFr 9.9825 from FFr 9.9975.

D-MARK—Trading range against the dollar in 1987 is 1.9885 to 1.7690. September average 1.8122. Exchange rate index 146.8 against 146.0 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8163 from DM 1.8041. Early trading saw the dollar underpinned by hopes that some progress may be possible in trying to reduce the US budget deficit and traders were awaiting to see what President Reagan would say in his address to the nation.

During the afternoon sentiment changed however, following another cut in US prime rates, this time to 9 per cent. However the dollar recovered a little and closed at DM 1.8115 from DM 1.8090.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 228.2 against 224.1 six months ago.

Trading was confined to a relatively narrow range in Tokyo. There was little incentive to push the dollar weaker after the recent reaffirmation of the Louvre accord while softer interest rates deterred any fresh buying. The dollar closed at Y144.20 compared with Y144.65 in New York and Y143.90 in Tokyo on Thursday.

£ IN NEW YORK

Oct. 22	Latest	Previous Close
£ Spot	1.6505-1.6515	1.6485-1.6495
1 month	0.35-0.33pm	0.33-0.30pm
3 months	0.81-0.77pm	0.80-0.75pm
12 months	2.70-2.60pm	2.60-2.40pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2731	+1.92	+1.14	± 1.5344
Danish Krone	7.85212	7.96034	+1.38	+0.60	± 1.6404
German D-Mark	2.05853	2.07594	+0.85	+0.07	± 1.0981
French Franc	6.90403	6.93299	+0.42	-0.36	± 1.3674
Dutch Guilder	2.31943	2.33515	+0.68	-0.10	± 1.5012
Irish Punt	0.768411	0.774295	+0.77	-0.01	± 1.6684
Italian Lira	1,483.58	1498.52	+1.01	+0.68	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency.

POUND SPOT—FORWARD AGAINST THE POUND

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

Iran	118.65*	70.50*
Korea(Sth)	1320.65-1332.60	801.20-807.80
Kuwait	0.46700-0.46740	0.28160-0.28170
Luxembourg	62.25-62.35	37.70-37.80
Malaysia	4.1880-4.2000	2.5265-2.5275
Mexico	2690.95-2695.25	1624.00-1625.00
N. Zealand	2.5570-2.5620	1.5470-1.5490
Saudi Ar.	6.2195-6.2250	3.7500-3.7510
Singapore	3.4545-3.4615	2.0865-2.0875
S. Af. (Cm)	3.3855-3.4015	2.0545-2.0590
S. Af. (Fn)	5.6225-5.8195	3.3900-3.5090
Taiwan	49.30-49.55	29.95-30.05
U.A.E.	6.0915-6.0960	3.6725-3.6735

*Selling rate.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

DM	0.334	0.551	1.	79.70	3.336	0.830	1.124	721.5	0.726	20.82
YEN	4.193	6.918	12.55	1000.	41.86	10.42	14.11	9052.	9.107	261.2
F Fr.	1.002	1.653	2.998	238.9	10.00	2.489	3.371	2163.	2.176	62.41
S Fr.	0.402	0.664	1.204	95.98	4.017	1.	1.354	868.8	0.874	25.07
H Fl.	0.297	0.490	0.889	70.88	2.967	0.738	1.	614.6	0.645	18.51
Lira	0.463	0.764	1.386	110.5	4.624	1.151	1.559	1000.	1.006	28.86
C $	0.460	0.760	1.378	109.8	4.596	1.144	1.549	994.0	1.	28.68
B Fr.	1.605	2.648	4.803	382.8	16.02	3.989	5.401	3465.	3.486	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds rise sharply

GILT AND bonds futures prices rose sharply on the London International Financial Futures Exchange, as equity prices fell again on renewed bearish sentiment.

The flight to quality into gilts and bonds, and the further retreat in equities, was prompted by a report that Mr Robert Prechter, a US financial forecaster and charter follower, had told his clients that stock prices will fall below the lows of Monday.

A trader on the Liffe market said he was surprised the market reacted so sharply to such forecasts, and that there appeared to be more to fear from any change of attitude in Tokyo.

He added that the fall of stock prices in Tokyo had been very modest so far, but that if Japanese investors no longer viewed the drop in prices as an opportunity to buy the resulting fall could be spectacular.

The nervous mood was also a reaction to news of an Iranian missile attack on a Kuwaiti oil terminal.

December FT-SE 100 index futures opened weaker at 190.00, and fell to a low of 165.00, as a wave of nervous selling developed. The contract recovered a little lost ground to close at 178.00, compared with 193.00 previously.

Dealers commented that in present markets today's September UK trade figures may have no more impact than the disappointing bank lending figures earlier this week.

Long term gilts for December delivery opened lower at 113.20, but then moved strongly through resistance at 114.00, to a peak of 116.07, before closing at 115.14, against 113.30 on Wednesday.

Demand for gilts was mainly a reaction to the surge in US Treasury bonds, as stock prices slumped on Wall Street, and interest rates fell.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
104	11.29	11.55	0.01	0.15
106	9.30	10.04	0.02	0.28
108	7.35	8.23	0.07	0.47
110	5.46	6.50	0.18	1.10
112	4.02	5.24	0.38	7.48
114	2.40	4.10	1.12	2.34
116	1.35	3.08	2.07	3.32
118	0.55	2.18	3.27	4.42

Estimated volume total, Calls 9,213 Puts 3,941
Prev. day's open int: Calls 42,405 Puts 32,623

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
76	9.62	9.23	0.30	0.51
78	8.08	7.50	0.40	1.14
80	6.23	6.18	0.55	1.46
82	4.43	4.53	1.11	2.17
84	3.23	3.43	1.55	3.07
86	2.18	2.43	2.50	4.07
88	1.28	1.60	3.60	5.24
90	1.05	1.23	5.37	6.51

Estimated volume total, Calls 439 Puts 300
Previous day's open int: Calls 2,725 Puts 1,729

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
18750	0.12	6.65	9.62	16.15
19000	0.04	5.85	12.04	17.85
19250	0.01	5.13	14.51	19.63
19500	0.00	4.49	17.00	21.49
19750	0.00	3.91	19.50	23.41
20000	0.00	3.40	22.00	25.40
20250	0.00	2.94	24.50	27.44
20500	0.00	2.54	27.00	29.54

Estimated volume total, Calls 13 Puts 0
Previous day's open int: Calls 117 Puts 226

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE-EURODOLLAR OPTIONS

LONDON

CHICAGO

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec.	0.6706	0.6725	0.6670	0.6649
Mar.	—	0.6780	0.6725	0.6707
Jun.	0.6820	0.6840	—	0.6772
Sept.	—	—	—	0.6842

STANDARD & POORS 500 INDEX

$500 times index

	Close	High	Low	Prev.
Dec.	232.00	234.00	195.00	258.25
Mar.	235.00	237.00	195.00	260.25
Jun.	—	236.00	202.50	263.00
Sept.	—	262.50	216.50	268.50

CURRENCY FUTURES

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.6457	1.6480	1.6442	1.6472
Mar.	1.6380	—	—	1.6405
June	1.6305	—	—	1.6330

Estimated volume 10 (20)
Previous day's open int 305 (305)

Company Notices

THE ROYAL BANK OF CANADA
US$350,000,000
Floating Rate Debentures due 2005

In accordance with the terms and conditions of the debentures, the interest rate for the period 26th October 1987 to 27th November 1987 has been fixed at 7 3/8 per cent per annum. On 27th November, interest of US$6.555555 per US$1,000 nominal amount of the debentures will be due for payment. The rate of interest for the period commencing 27th November 1987 will be determined on 24th November, 1987.

ORION ROYAL BANK LIMITED
Agent Bank and
Principal Paying Agent

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, October 21, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.14721 SDR1=$US1.29223
As of October 21, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	8 3/16	8 1/4
Sibor:	8 13/16	9

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6536	Papua New Guinea	Kina	0.8941
Albania	Lek	6.1079	Greece	Drachma	139.30	Paraguay	Guarani (p)	320.00
Algeria	Dinar	4.67	Greenland	Danish Krone	6.947		Guarani (o)	550.00
Andorra	French Franc	6.038	Grenada	E. Caribbean $	2.70		Guarani (d)	867.50
	Spanish Peseta	117.95	Guadaloupe	Franc	6.038	Peru	Inti (o) (n)	15.89
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	37.50
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00	Philippines	Peso	21.10
Argentina	Austral (3)	3.50		Quetzal (i), (f)	2.68	Pitcairn Islands	N.Z. Dollar	1.5451
Aruba	Florin	1.79	Guinea Bissau	Peso	650.00	Poland	Zloty (o)	298.35
Australia	Dollar	1.3992	Guinea Republic	Franc	340.00	Portugal	Escudo	143.20
Austria	Schilling	12.733		Franc (f)	300.00	Puerto Rico	U.S. $	1.00
Azores	Port. Escudo	143.20	Guyana	Dollar	10.00			

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 22) 3 months U.S. dollars		6 months U.S. dollars	
bid 8	offer 8 1/8	bid 8 1/16	offer 8 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY MARKETS

London reacts to lower US rates

INTEREST RATES eased on the London money market, as funds seeking a safe haven from the vagaries of the equity market, were encouraged into Government debt, in the form of bills and bonds.

The downward trend in rates was further reinforced by news that US banks were cutting their prime lending rates, and also by early intervention by the Federal Reserve, adding liquidity to the New York banking system.

UK clearing bank base lending rate 10 per cent since August 7

In London trading was relatively quiet and calm. Three-month interbank fell to 10 1/8-10 per cent, from 10 3/16-10 1/16 per cent. Sentiment was helped by sterling's steady performance on the foreign exchanges.

The Bank of England initially forecast a money market shortage of £550m, but revised this to £600m at noon. Total help of £521m was provided.

Before lunch the authorities bought £50m bank bills in band 1 at 9 7/8 per cent.

In the afternoon another £291m bills were purchased, by way of £284m bank bills in band 1 at 9 7/8 per cent and £7m bank bills in band 2 at 9 3/4 per cent.

Late assistance of £180m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £523m, with a rise in the note circulation absorbing £60m. These outweighed Exchequer transactions adding £40m to liquidity and bank balances above target of £10m.

In New York banks reduced their prime lending rates to 9 per cent from 9 1/4 per cent. The Federal Reserve moved to calm financial markets, shaken by another sharp fall in stock prices on Wall Street. The authorities intervened an hour earlier than usual to supply liquidity to the banking system. The Fed offered four-day system repurchase agreements, when Federal funds were trading at 6 11/16 per cent, compared with an average of 6.47 per cent on Wednesday. After this direct injection of temporary reserves the rate fell to 6 7/8 per cent.

In Berlin the West German Bundesbank left its credit policies unchanged at the regular central bank council meeting. The discount rates remains at 3 per cent and the Lombard emergency financing rate at 5 per cent. Mr Gerhard Stoltenberg, West German Finance Minister attended the meeting.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9-9 1/4
Broker loan rate	8-8 3/4
Fed. funds	7 1/16
Fed funds at intervention	6 11/16

Treasury Bills and Bonds			
One month	3.62	Three year	8.12
Two month	4.88	Four year	8.49
Three month	5.19	Five year	8.57
Six month	6.22	Seven year	8.94
One year	6.75	10 year	9.03
Two year	7.83	30 year	9.21

October 22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.60-3.70	3.80-3.95	3.85-4.00	4.65-4.80	4.75-4.95	5.0
Paris	7 5/8-7 3/4	7 3/4-7 7/8	7 7/8-8	8 7/16-8 9/16	8 9/16-8 11/16	7 1/2
Zurich	7/8-1 1/8	2 7/8-3 1/8	—	4-4 1/4	—	—
Amsterdam	5 7/16-5 9/16	5 3/8-5 5/8	—	5 3/8-5 5/8	—	—
Tokyo	3.34375	3.84375	—	—	—	—
Milan	10 7/8-11 1/8	11 1/2-11 3/4	—	12-12 1/2	—	—
Brussels	7.50	6 5/8-6 3/4	—	6 13/16-7 1/16	—	—
Dublin	8-8 1/4	8 3/4-9	9-9 1/4	9 1/4-9 1/2	9 5/8-9 7/8	—

LONDON MONEY RATES

October 22	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10 1/2-6	9 13/16-9 3/4	9 13/16-9 11/16	10 3/16-10	10 3/16-10	10 1/2-10 3/16
Sterling CDs	—	—	9 7/8-9 13/16	10 1/16-9 15/16	10 3/16-10 1/16	10 1/4-10 1/8
Local Auth'rity Deps.	9 7/8	9 13/16	9 13/16	10 1/8	10 3/16	10 3/8
Local Authority Bonds	—	—	10 1/4	10 3/8	10 7/16	10 5/8
Discount Mkt Deps.	10-9 3/4	9 3/4	9 3/4	9 7/8	—	—
Company Deposits	—	10	10-9 13/16	10 1/8	10 1/4	10 1/2
Finance House Deposits	—	—	9 7/8	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	9 13/16	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	9 13/16	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	10 13/16	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	7.25-7.20	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	—	—	6 5/8-6 1/2	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	—	—	6 7/8-6 3/4	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 9 3/4 per cent; three-months 9 13/16 per cent; Bank Bills (sell); one-month 9 13/16 per cent; three months 9 13/16 per cent; Treasury Bills: Average tender rate of discount 9.7858 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1987. Agreed rates for period October 26 to November 24 1987, Scheme I: 11.42 p.c. Schemes II & III: 11.47 p.c. Reference rate for period August 29 to September 30, 1987, Scheme IV: 10.219 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 1/2 per cent from October 1, 1987: Bank Deposit Rates for sums at seven days' notice 5 1/4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8 1/2 per cent; three-six months 10 per cent; six-nine months 10 1/4 per cent; nine-12 months 10 1/4 per cent; Under £100,000 8 per cent from September 15. Deposits withdrawn for cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 21 1987					TUESDAY OCTOBER 20 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	122.52	+0.8	109.92	113.96	3.47	121.56	108.90	113.11	180.81	99.92	90.02
Austria (16)	94.42	−0.9	84.71	88.81	2.34	95.25	85.32	89.53	102.87	85.53	96.49
Belgium (48)	113.64	+7.1	101.96	106.07	4.48	106.13	95.07	98.93	134.89	96.19	90.41
Canada (129)	113.53	+11.3	101.86	108.03	2.76	102.00	91.37	97.38	141.78	100.00	97.59
Denmark (38)	110.83	+3.8	99.43	104.73	2.80	106.79	95.67	101.06	124.83	98.18	100.10
France (122)	93.75	+3.1	84.11	88.97	3.11	90.91	81.44	86.10	121.82	90.91	92.50
West Germany (93)	91.32	+6.3	81.93	86.10	2.22	85.88	76.93	80.72	104.93	84.00	92.76
Hong Kong (46)	133.32	+0.0	119.61	133.64	3.63	133.31	119.42	133.64	158.68	96.89	87.50
Ireland (14)	124.67	+2.3	111.85	118.65	3.80	121.92	109.22	116.00	160.22	99.50	82.14
Italy (95)	88.04	+3.9	78.98	85.77	2.22	84.74	75.91	82.59	112.11	84.22	105.17
Japan (458)	135.40	+9.8	121.47	123.37	0.56	123.28	110.44	112.14	161.28	100.00	85.46
Malaysia (36)	129.35	+0.1	116.05	126.04	2.89	129.26	115.79	126.02	193.64	98.24	99.10
Mexico (14)	267.40	−14.0	239.90	474.07	0.63	311.06	278.65	550.79	422.59	99.72	78.12
Netherland (37)	106.13	+10.7	95.21	98.74	4.56	95.89	85.90	88.99	131.41	95.89	95.08
New Zealand (23)	108.66	+4.3	97.49	89.10	3.35	104.22	93.36	85.60	138.99	83.93	82.08
Norway (24)	143.86	+12.1	129.07	129.41	2.11	128.34	114.97	115.50	185.01	100.00	103.25
Singapore (27)	106.36	+0.1	95.43	102.49	2.41	106.29	95.22	102.49	174.28	99.29	100.91
South Africa (61)	154.21	−11.1	138.35	122.60	3.67	173.45	155.38	128.55	198.09	100.00	93.65
Spain (43)	148.68	−1.2	133.39	132.51	3.05	150.49	134.81	134.13	168.81	100.00	94.52
Sweden (34)	119.14	+4.7	106.89	112.48	2.04	113.78	101.93	107.30	136.64	90.85	98.41
Switzerland (53)	96.29	+5.3	86.39	89.88	1.86	91.41	81.88	85.03	111.11	91.41	93.50
United Kingdom (335)	132.92	+5.9	119.26	119.26	3.81	125.56	112.48	112.48	162.87	99.65	92.04
USA (583)	105.66	+9.7	94.80	105.66	3.53	96.34	86.30	96.34	137.42	92.83	98.31
Europe (952)	111.62	+5.4	100.14	102.85	3.25	105.90	94.87	97.41	130.02	99.78	94.06
Pacific Basin (680)	134.49	+9.1	120.66	122.92	0.76	123.23	110.40	112.45	158.77	100.00	85.73
Euro–Pacific (1632)	125.40	+7.8	112.50	114.92	1.65	116.35	104.23	106.46	143.65	100.00	89.03
North America (712)	106.09	+9.8	95.18	105.82	3.49	96.64	86.57	96.42	137.55	94.04	98.27
Europe Ex. UK (617)	98.40	+5.0	88.29	92.72	2.77	93.70	83.94	88.13	111.97	93.70	95.60
Pacific Ex. Japan (222)	123.79	+0.7	111.06	117.07	3.46	122.91	110.11	116.29	164.03	99.92	89.22
World Ex. US (1836)	125.38	+7.6	112.49	115.01	1.71	116.56	104.42	106.67	143.38	100.00	89.37
World Ex. UK (2084)	116.25	+8.6	104.29	111.01	2.17	107.08	95.92	102.10	138.82	100.00	92.93
World Ex. So. Af. (2358)	117.49	+8.5	105.41	111.64	2.33	108.30	97.02	102.82	139.47	100.00	92.84
World Ex. Japan (1961)	109.28	+7.4	98.04	105.88	3.40	101.76	91.16	98.45	134.22	100.00	96.39
The World Index (2419)	117.73	+8.3	105.62	111.76	2.34	108.72	97.39	103.05	139.73	100.00	92.84

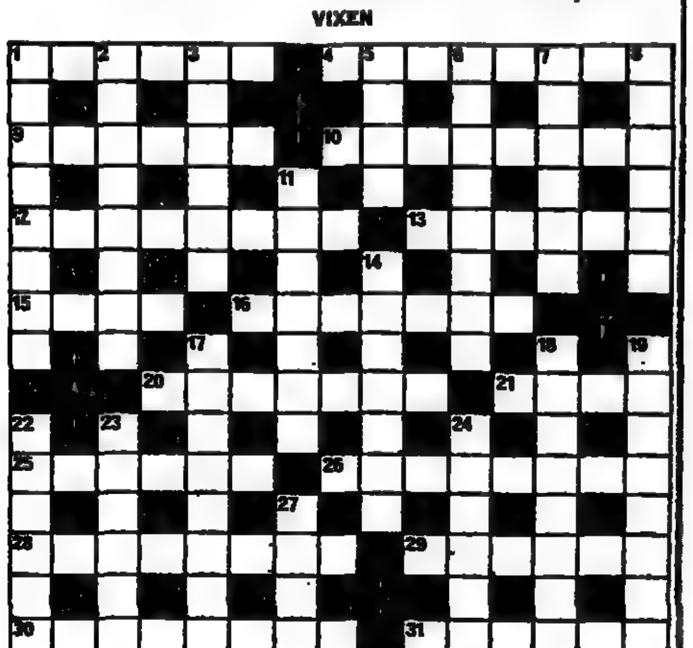
Base values: Dec 31, 1986 = 100

Hong Kong market suspended.Singapore and Malaysian markets closed for public holidays October 21.
Latest prices were unavailable for this edition.

Figures for European Options were not available for this edition

FT CROSSWORD PUZZLE No 6,463

VIXEN



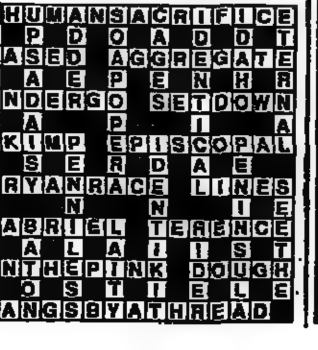
ACROSS

1 Wound on the head (6)
4 Fancy catalogue for the unpractical individual (8)
9 Coppers like to sample the cake (6)
10 Ignore the allowance made (8)
12 Moving cars and double-parking a pressman fought (8)
13 "The orange flower perfumes the bower, the —— is on the sea." Scott (Quentin Durward) (6)
15 Sally needs the right encouragement (4)
16 A hill-dwelling six-footer (7)
20 Support an associate—but only within the law! (7)
21 Letters for the queen in a foreign land (4)
25 A number but not all feel evenings should be free (6)
26 The cunning char made money abroad (8)
28 Drink outside and attract attention (5, 3)
29 Get a worker to accept many an order (6)
30 Diffident about losing 19 down (8)
31 Popular with five—maybe ten—imagine! (6)

DOWN

1 Records an attempt to obtain certain material (8)
2 Check when others fall (8)
3 Short bar put to rights (6)
5 These days backing one's stand (4)
6 Bill a minister presented? That's right (8)
7 Hardened and quite possibly ruined (6)
8 Young children taking direction in a Devonshire place (6)
11 Few cut a Liberal (7)
14 A rogue learning how to make appeal (7)
17 Fed-up with the last champion (8)
18 Blooming fussy girl! (8)
19 Regard for income (8)
22 The problem of a tree's disposal (6)
23 Pour out for an accountant in depression (6)
24 Protection for those wishing to view (6)
27 Toast and water (4)

Solution to Puzzle No 6,462



BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred.	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe Guarantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williman Secs	10
Banco de Bilbao	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sureswim 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

Company Notices

The RTZ Corporation PLC
NOTICE
To holders of Warrants to Bearer

ORDINARY SHARES OF 10P EACH	3.5% "B" CUMULATIVE PREFERENCE SHARES OF £1 EACH
NOTICE IS HEREBY GIVEN THAT an interim dividend of 3.2p per Share will be paid on the 4th January 1988 in respect of the year ending 31st December 1987. Payment of this dividend will be made after presentation of Coupon No. 56 at any of the undermentioned offices of payment.	NOTICE IS HEREBY GIVEN THAT a dividend of 1.75p per Share will be paid on the 4th January 1988 in respect of the half-year ending 31st December 1987. Payment of this dividend will be made after presentation of Coupon No. 81 at any of the undermentioned offices of payment.

OFFICES OF PAYMENT

The RTZ Corporation PLC, (Registered Office), 6 St. James's Square, London SW1Y 4LD

L'Europeenne de Banque, 21 Rue Laffitte, 75439 Paris, France

Generale de Banque, 3 Montagne du Parc, 1000 Brussels, Belgium

Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, Luxembourg

Union Bank of Switzerland, Bahnhofstrasse 45, CH 8021 Zurich, Switzerland

The RTZ Corporation PLC, (Transfer Office), Central Registration Limited, 1 Redcliff Street, Bristol BS1 6NT

Banque Bruxelles Lambert S.A., 24 Avenue Marnix, 1050 Brussels, Belgium

Banque Generale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg

Societe de Banque Suisse, CH 4002 Basle, Switzerland

Credit Suisse, Secretariat 2, 8021 Zurich, Switzerland

Under the imputation tax system in force in the United Kingdom these dividends will be payable without deduction of United Kingdom tax and for Shareholders resident in the United Kingdom will carry a tax credit calculated by reference to the basic rate of income tax applicable at the date of payment. Where a double tax agreement so provides, Shareholders resident outside the United Kingdom will obtain a tax credit, against which some United Kingdom Tax may fall to be offset.

Coupons, which must be listed on special forms, which can be obtained on or after Monday 9th November 1987 at any of the above offices, may be deposited on or after Monday 16th November 1987. Coupons presented for payment in the United Kingdom must be left FIVE CLEAR DAYS for examination.

Shareholders should note that under the Company's Articles of Association, provision is made for the forfeiture of the above dividends if not claimed within 12 years from the date of declaration.

6 St. James's Square, London SW1Y 4LD
22nd October 1987

By Order of the Board,
R.S. WIGLEY
Secretary

CNT
Caisse Nationale des Télécommunications
15,000,000,000 Japanese YEN
Floating Rate Notes due 1997

In accordance with the Conditions of the Notes, notice is hereby given that for the interest period from October 22, 1987 to April 22, 1988 the Notes will carry an interest rate of 5⅝% per annum.

The interest payable on the relevant interest payment date April 22, 1988 against coupon n°5 will be YEN 283,698 per Note.

The Reference Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	87.9	88.2	—	7.89
(Accum Units)	104.4	104.9	—	7.59
Global Fund	45.3	47.9	—	0.66
(Accum Units)	45.3	47.9	—	0.66
High Income Fund	47.0	48.3	—	3.15
(Accum Units)	49.7	51.0	—	3.15
High Interest Fund	43.0	45.0	—	9.47
(Accum Units)	44.4	46.7	—	9.47
Income	109.5	115.4	—	3.24
(Accum Units)	126.3	133.6	—	3.24
International	269.7	285.7	—	1.23
(Accum Units)	338.1	357.7	—	1.23
Japan	188.9	199.8	—	0.53
(Accum Units)	194.0	205.2	—	0.53
Pacific Fund			—	0.10
(Accum Units)			—	0.10
Recovery	292.3	309.3	—	1.29
(Accum Units)	320.1	338.7	—	1.29
UK Smaller Cos Fund	52.2	54.7	—	1.84
(Accum Units)	51.6	54.4	—	1.84

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Oct 14	580.5	594.05	—	1.41

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	58.0	61.7xd	-0.9	4.86
Accum Units	58.7	62.6xd	-0.9	4.81
UK Growth Fund Acc	55.5	59.0	-1.6	1.69
Global Income Fund	46.5	49.4	+0.9	4.05
Accum Units	46.5	49.4	+0.9	4.05
Global Growth Fund	42.4	45.1	+1.3	0.55

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	114.5	121.9	—	1.27
(Accum Units)	138.2	147.1	—	1.27
Commodity & Gen	163.5	173.9	—	1.56
(Accum Units)	233.1	247.4	—	1.56
European Growth	115.8	122.9	—	1.15
(Accum Units)	139.7	148.5	—	1.15
Extra High Inc	69.2	73.5	—	6.78
(Accum Units)	86.1	91.4	—	6.78
Gilt & Fxd. Int	51.4	53.7	—	8.70
(Accum Units)	92.5	95.4	—	8.70
High Yield	204.1	216.6	—	4.47

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3903

PM Equity Growth	109.6	116.6	-1.5	1.08
PM Income and Growth	95.1	101.2	-1.0	3.26
PM N American Growth	45.4	48.2	+3.6	0.41
PM European Growth	47.6	50.6	+3.4	0.62
PM Japan Growth	46.8	49.9	+1.9	0.98
PM Overseas Growth	47.7	50.7	+2.9	0.36

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Unitline 0800 010345

Holborn Comm Tst	46.1	49.3	—	0.44
Holborn Equity Income	63.2	66.8	—	3.86
Holborn Equity Tst	471.7	497.4xd	—	2.71
Holborn European Tst	109.0	114.8	—	0.72
Holborn High Inc Tst	78.5	82.8xd	—	6.20
Holborn Inc Grth Tst	96.6	101.9	—	3.86
Holborn Ind Stk Co	40.9	43.3	—	6.86
Holborn Japanese Tst	114.6	120.9xd	—	0.05
Holborn N. Amer Tst	67.3	71.0	—	0.68
Holborn Premier Inc	41.2	43.4	—	2.18
Holborn Sm Cos Tst	69.7	73.5	—	1.98
Holborn Spec Sits Tst	82.71	87.27	—	1.68
Holborn UK Growth Tst	89.25	94.36	—	1.99

Quilter Management Co Ltd
31-45 Gresham Street, London EC2. 01-600 4177

Quadrant Gen. Fd	692.8	733.2xd	—	1.51
Quadrant Income	353.9	374.6	—	3.53
Quadrant Intl. Fund	461.1	488.0	—	1.08
Quadrant Spec. Sits	495.4	524.3xd	—	1.11

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent. 0892 510033

British Life	205.7	218.8xd	-3.0	2.75
Reliance Unit Tst (Inc)	149.9	159.4xd	-2.4	1.65
Reliance Ut.Tst (Acc)	202.9	215.3	-3.4	1.65

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030
Internat. Growth Trust 39.0 42.6xd

N.M. Rothschild Fund Mngmt
St Swithin's Lane, London EC4 01-634 2980

Standard Life Trust Mngmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)

Sun Alliance Fund Management Ltd

Sun Life of Canada Unit Mgrs Ltd

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
39	25¾	Rep NY Corpn $5	26½	+½	$1.16	—	2.7
18¾	8½	Rockwell Intl. $1	11½	+½	66c	—	3.4
30	16¾	Sara Lee $1	23	+3¾	$1.00	—	2.7
11	8¾	Saul (B. F.) $1	10⅞		20c	—	1.1
27¼	21¼	Southwestern Bell $1	25½	+3¾	$2.32	—	5.6
22¼	13¾	Staley Continental	14⅞	+1	80c	—	3.3
44	21¾	Sun Co. Inc. $1	29	+4	$3.00	—	6.3
42¼	24	TRW Inc. $0 625	29½	+5¾	$1.60	—	3.4
37¼	24¾	Tenneco $5	27¼	+2¾	$3.04	—	6.8
220	144½	Do. 10pcLn.Stk 91-5	220	...	10%	—	4.7
29¾	17	Texaco $6.25	20¾	+2¾	$3.00	—	8.8
74	47¼	Time Inc. $1	53½	+4	$1.00	—	1.1
20¾	11	Tracor $0.33	20¾	+2	40c	—	1.2
30¾	15	Transamerica $1	18¾	+2¾	$1.84	—	6.0
14¾	1¼	Transworld Corp $5	18½	+2¾	20c	—	1.2
27¾	12¾	TRINOVA Corp.	16¾	+1¾	$1.00	—	3.8
24	12¾	USX $1	18¾	+3¾	$1.20	—	4.0
19¾	12	Union Carbide $1	14	+1¾	$1.50	—	6.4
37¾	23	Utd. Technologies	23¾	-¾	$1.40	—	3.6
38¾	26¼	US West	35¼	+5¾	$3.28	—	5.7
30¾	17¼	Waste Management $1	23¼	+3¼	—	—	—
£31¾	£15	Whirlpool $1.0	£17¾	+2¾	—	—	—
37¼	20¼	Woolworth $3½	21¼	+1	$1.32	—	3.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♦ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish Stocks, the latter being quoted in Irish currency

Albany Inv 20p	89	-4
Craig & Rose £1	730	-8
Finlay Pkg. 5p	105	-3
Holt (Jos) 25p	£11½	....
IoM Stm. £1	343	....

Fin 13% 97/02	£104¾	....
Arnotts	300	....
CPI Hldgs	80	+10
Carroll Inds	160	....
Dublin Gas	40s	....
Hall (R. & H.)	275	....
Heiton Hldgs	60	+3
Irish Ropes	210	....
Norish	340	....
Unidare	360	-70

IRISH

Fund 11¼% 1988	£100½	....
Nat. 9¾% 84/89	£98¼	....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	14
BAT	62
BOC Grp	50
BSR	17
BTR	36
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit Aerospace	50
Brit. Telecom	28
Burton Ord	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	95
GEC	22
Glaxo	200
Grand Met	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst	17
Hawker Sldd	58
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen	32
Lex Service	45
Lloyds Bank	35
Lucas Inds	75
Marks & Spencer	22
Midland Bk	45
Morgan Grenfell	55
NCI	13
Nat West Bk	65
P & O Dfd	65
Plessey	20
Polly Peck	34
Racal Elect	32
RHM	35
Rank Org Ord	70
Reed Intnl	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
T&N	26
Unilever	62
Vickers	20
Wellcome	42
Property	
Brit Land	30
Land Securities	50
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

"First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

Account Dealing Dates

"New time dealings may take place from 9.00 am two business days earlier.

Further setback for equities but Government bonds rise sharply on strong demand

THE UK stock market renewed its slide yesterday, shedding much of the recovery of the previous session as concern over the setback in world securities markets was deepened by selling of Japanese stocks in London. Additionally, confirmation of a missile attack in the Gulf unsettled nerves in the City.

Helping to drive share prices lower was a £125m switch out of equities into UK Gilts by a major London securities house.

At the day's lowest point, the FT-SE index was only 70 points above the year's low, before a late recovery reduced the day's loss. Turnover was very heavy, with Seaq-recorded bargains at 86,240, more than twice normal levels.

Equities fell sharply at mid-session as London, in a demonstration of its pivotal position in the time zone of the global marketplace, suffered a bout of selling of leading Japanese stocks, "equivalent to an estimated fall of about 600 points on the Nikkei index", according to one specialist. London began to anticipate a difficult opening on Wall Street.

The sudden drop in Japanese stocks in London, accompanied by a halting of trading in Japanese share warrants following severe liquidity problems in the marketplace, dealt a blow to confidence in the City. Tokyo losses have not yet matched those in London and the US. UK analysts feared a renewed setback in Tokyo, as well as in New York.

However, Wall Street, encouraged by prime rates cuts at major banks, performed less badly than feared, and sparked a strong technical rally in the UK market, which had been on the point of tumbling through the year's low points.

The FT-SE 100 Index ended a net 100.6 down at 1833.2, after touching 1749.1 at its worst moment, a level last recorded in the first week of January, this year. At 1435.3, the FT Ordinary Index fell 92 points.

The equity sector looked apprehensive ahead of today's closure of a trading account which has brought dreadful losses for many market firms as well as investors. Most marketmakers were refusing to allow clients to "cash and new", a market mechanism enabling share positions to be carried over into the new account.

British Government bonds rose by a full point, following the upward trend of both the British and US bond futures markets. "Bonds are relatively cheap and certainly a much better prospect than equities at the moment", said a trader at a US house.

London was heartened by Wednesday's promises of liquidity support for the US Federals market by Mr Alan Greenspan, chairman of the Rederal Reserve.

The Gilt-edged sector ran short of stock and was helped twice by the Bank of England, which responded to marketmakers' bids for stock during the session and then created £500m of new stock, to be available to marketmakers today.

NatWest provided on on one of the day's outstanding performances with the shares advancing a net 15 to 623p after a turnover of 16m shares. The other major banks lost ground although they generally closed well above the day's lowest levels. Barclays dropped to 463p before ending the session a 15 off at 485p. Lloyds slipped 27 to 288p, after 268p and Midland 38 to 415p, the latter as stale bulls continued to sell the stock.

Merchant banks suffered along with other financial issueswityh Kleinwert Benson -despite reassuring comment on the group's securities trading performance in recent days - closing 18 off at 432. SG Warburg, on the other hand, retreated 32 to 398p. Morgan Grenfell dropped 21 to 398p.

Insurance shares moved erratically but all closed with losses on balance. In lifes Abbey slumped 35 to 233p on the appearance of substantial selling orders while Legal & General retreated 30 to 283p. Prudential shares, down to 795p in mid-session, closed a net 48 off at 835p.

The defensive qualities of Brewery issues were forgotten amid the latest uncertainty. Wednesday's good gains were wiped out and some stocks seemed set to test the year's lows before short-covering induced a late recovery. Leading Brewers were the most vulnerable with Allied-Lyons falling 20 to 359p, Bass losing 40 to 830p and Whitbread "A" dipping 15 to 291p. Guinness, beset by numerous problems over the past few months, fought back well after dropping to 285p and closed only 6 down on the day at 298p. Scottish & Newcastle drifted back to 218p, down 6, as bid hopes evaporated while Beddington lost 14 to 165p for a similar reason. Regional issues escaped with lesser falls, Greenall Whitley ending 13 off at 209p and J.A.Devenish 19 cheaper at 309p. Cidermaker H.P.Bulmer gave up 14 at 174p.

Many leading Building issues sustained fresh falls, but Costain, having fallen to 265p at one stage, rallied strongly on revived takeover rumours to close only 5 cheaper on balance at 290p. Once again Trafalgar House were cited as possible bidders.The latter fell 45 to 325p on a trade of 5.6m shares. Takeover rumours eminating from the Building Industry itself contributed to another liveley business in Barratt Developments which settled 13 off at 192p. Elsewhere, Blue Circle suffered from a fresh bout of selling in an unwilling market and dipped 36to 368p.

ICI moved with the general trend and dipped to £11⅝ at one stage prior to closing 1¼ lower at £11¾. Laporte shed 39 to 461p; Solvay has increased its holding to 24.38 per cent, but has already stated that it does not intend to make a full bid for the company. Amersham International were a weak market at 486p, down 41½.

Interim results from Harris Queensway - coming hard on the heels of the latest board resignations - were labelled "appalling" by one leading securities house; interim profits, ex-property sales, came out at £3.7m compared with pre-tax profits of £14.2 in the same period last year. Harris Queensway shares ran back 30½ to 122p. Elsewhere, Sears initially edged up to 141p following a note from Citicorp Scrimgeour Vickers describing the company as "one of the better defensive plays in the sector", before sliding back to close a net 4 off at 132p after a turnover that topped 9m shares. Burton, regarded as a core holding in the stores sector, touched 255p after widespread comment in the Press, before sliding away to close 5 down at 239p

Foods went on the defensive again and closed with widespread and sometimes substantial losses. Cadbury Schweppes fell 17½ to 218p while Rowntree lost 31 at 412p. RHM were 17 lower at 297p and Dalgety 19 off at 308p. Falls in the region of 25 were seen in Hillsdown, 282p, and Booker, 381p.

Leading Hotels soon relinquished Wednesday's gains with Grand Metropolitan losing 17 to 458p and Ladbroke falling 24 at 376p. Trusthouse Forte lost 14 to 228p.

International stocks were again dominated by the trend on Wall Street and, with transatlantic values falling sharply in the first hour of so of trading yesterday, domestic issues followed. However, a subsequent rally in the US prompted a recovery movement and stocks such as Glaxo, still down ⅝ at £11⅝, closed above the day's lowest. Once again, trading conditions were extremely volatile.Other noteworthy losses included Fisons, down 15 at 291p, and Beecham, 29 lower at 402p. There was another big turnover in Hanson Trust (some 28m shares changed hands) which settled with a relatively modest fall of 5 at 134p. In complete contrast, Reuters took the previous day's recovery movement a stage further, closing 9 to the good at 552p. Elsewhere, British Aerospace reacted 49 to 414p, while Reed International ran back 44 to 410p and Pearson 42 to 768p. Blue Arrow were briskly traded before settling 3 cheaper on the day at 124p. Among the recently privatised issues, British Airways ended well above the worst at 166p, down 9, in a volume of 8.1m shares.

Jaguar moved to within a few pence of the year's low point before recovering to end a net 39 lower at 409p. Rover also weakened noticeably to 70p, prior to settling only 10 off at 90p, while Lucas Industries encountered fresh pressure and lost 61 to 561p. Other casualties among Motor Components included Kwik-Fit, 25 easier at 194p, and Dowty, which shed 16 to 199p. Distributors also came in for blood-letting and Lex Service dropped 34 to 404p. D.C.Cook gave up 35 at 225p and Hartwell 14 to 110p.

The tale of woe was repeated in Newspapers where United slumped 40 to 464p and Associated dipped 32 to 504p. Bunzl made a 1987 low of 174p before closing 20 lower 186p and DRG dropped 48 to 389p but remaining Paper/Printings were steadier. BPCC reacted 15 to 250p. Advertising Agencies also went southwards and Saatchi & Saatchi flirted with the year's lowest level prior to ending 32 lower at 408p. Against the trend, Millward Brown rose 15 to 205p and BBB Design gained 10 to 95p.

Wednesday's rally in the Property sector proved short-lived and prices fell away again as nerves about the global market became more frayed. Land Securities dipped 23 to 475p and MEPC lost 25 at 440p. Half-year profits some £1m above market estimates failed to sustain Hammerson A which fell 38 to 560p; the company also revealed a new $90m office development in New York along with the figures. Marler Estates were re-quoted at 300p- down 475p on the suspension price-following news that the proposed reverse takeover by privately-owned Berkley House had been called off.

Textiles joined in the late recovery movement, but still closed with some substantial losses. Courtaulds ended 38 lower at 408p, while Dawson International settled 21 off at 271p.

Bat Industries, down sharply at one stage, ended 41 cheaper at 498p, but Rothmans showed few signs of recovering, closing around the day's lowest with a fall of 26 at 407p.

Few miscellaneous Financials escaped the market mauling. British & Commonwealth came back 23 to 405p and MAI slipped 28 to 575p among a long list of losers. Independent marketmakers, Smith New Court, suffered as rumours resurfaced of the losses sustained this week and ended 40 down at 230p. Fund management groups also fell heavily.

In another heavy turnover, which topped 34m shares, BP initially moved up to 300p before slipping back to 270p and eventually ending the session a net 14½ lower at 282½; small investors were said to have been strong buyers of the shares for the second day running. British Gas, with almost 40m shares going through the market, closed 6½ down at 142½p, after extremes of 150p and 132p.

Overseas Traders wilted badly in the face of the renewed nervousness. All quality stocks sustained sizeable falls with Lonrho finishing 34 down at 251p and Inchcape 47 lower at 680p. Harrisons & Crosfield were also caught up in the uncertainty, losing 47 to 538p while Polly Peck dipped 21 to 298p.

Although down on Wednesday's frenzied activity, business in Traded Options remained active. A total of 86,012 contracts were transacted made up of 40,941 calls and 45,071 puts. Hanson Trust were the most active stock and contibuted 3,519 calls and 4,313 puts. The FTSE contract attracted 2,255 calls and 2,836 puts.

FINANCIAL TIMES STOCK INDICES

	22	Oct. 21	Oct. 20	Oct. 19	Oct. 16	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	86.06	85.47	85.21	83.73	84.90	82.30	95.32 (8/5)	80.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.90	91.75	91.11	91.05	91.50	88.75	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1435.3	1527.3	1439.2	1629.2	1832.9	1249.9	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	399.0	396.8	427.6	444.2	436.3	277.2	497.5 (4/8)	280.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.22	3.97	4.21	3.70	3.32	4.46				
Earnings Yld.%(full)	10.41	9.72	10.33	9.07	8.15	10.28				
P/E Ratio (net) (*)	11.78	12.58	11.84	13.49	15.01	11.93				
SEAQ Bargains (5 pm)	86,240	103,680	78,969	56,790	34,797	—				
Equity Turnover (£m)	—	2838.13	2814.33	2525.34	1629.09	654.97				
Equity Bargains	—	109,295	80,974	55,708	39,910	34,708				
Shares Traded (ml)	—	834.4	952.0	708.4	514.8	315.8				

S.E. ACTIVITY

Indices	Oct. 21	Oct. 20
Gilt Edged Bargains	113.8	154.9
Equity Bargains	707.8	524.7
Equity Value	5736.6	5688.5
5-Day Average		
Gilt Edged Bargains	127.2	125.6
Equity Bargains	426.2	342.4
Equity Value	4142.7	4666.2

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1508.7	1520.9	1512.8	1460.3	1436.8	1407.9	1374.3	1426.7

Day's High 1533.9 Day's Low 1372.9 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1567 * Nil=11.62.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declarations Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Stocks dealt in for the call included Barratt Developments, British Land, Burton, Tarmac, Dee Corporation, British Petroleum, STC, Hanson Trust, Trusthouse Forte, Boots, Blue Arrow, Tesco, Rolls-Royce, Sears, Cliff Oil, RTZ, Lloyds Bank, Dares Estates, GEC, British Gas, Racal, Ryan International, Dunlop Brothers, Ladbroke, British Aerospace, Pentland, British Airways, Lonrho, Jaguar, Amstrad, Rothmans, TSB, Sound Diffusion, Abaco, Polly Peck, Scottish and Newcastle and English China Clays.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	8,800	155	−14	Jaguar	3,900	409	−39
Allied Lyons	4,700	359	−20	Ladbroke	1,100	376	−24
Amstrad	10,000	129	−18	Land Securities	1,400	475	−23
Argyll Group	4,400	186	—	Legal & Gen.	1,900	283	−30
Assoc. Brit. Foods	517	305	−17	Lloyds Bank	3,200	288	−27
BAA	3,800	118	−7	LASMO	983	315	−17
BAT	10,000	498	−41	Lonrho	4,100	251	−34
BET	2,100	239	−18	Lucas	708	561	−61
BICC	464	358	−10	MEPC	2,300	440	−25
BOC	2,000	389	−34	Marks & Spencer	12,000	207	−13
BPB Inds	1,900	279	−22	Midland Bank	3,200	415	−38
BPCC	4,000	250	−15	Natwest Bank	16,000	623	+15
BTR	6,100	278	−27	Next	2,800	295	−4
Barclays	2,900	485	−15	Pearson	1,700	768	−42
Bass	1,000	830	−40	P & O	788	530	−28
Beecham	6,300	402	−29	Pilkington Bros	7,500	260	−22
Blue Arrow	9,400	124	−3	Plessey	4,000	166	−20
Blue Circle	1,800	368	−36	Prudential	1,100	835	−48
Boots	6,700	240	−14	Racal	6,600	238	−30
Brit. Airways	8,800	166	−9	Rank Org.	557	570	−18
Brit. Aero	2,200	414	−49	RMC	1,800	297	−17
Brit. & Comm.	685	405	−23	Reckitt & Col	400	852	−46
British Gas	39,000	142½	−6½	Redland	547	447	−24
Britoil	3,000	249	−18	Reed Intl.	3,300	410	−44
BP	32,700	282½	−14½	Reuters	5,400	552	+9
Brit. Telecom	27,000	222	−15	RTZ	1,800	928	−17
Bunzl	2,200	186	−20	Rolls-Royce	13,350	152	−14
Burton	9,200	239	−5	Rothmans Intl.	1,000	407	−26
Cable & Wire	10,000	353	−53	Rowntree	1,300	412	−31
Cadbury Schwps	4,300	218	−17½	Ryl Bank Scotland	530	330	−15
Coats Viyella	1,300	305	−30	Royal Insurance	2,500	445	—
Comm. Union	3,900	372	−31	STC	3,400	242	−16
Cons. Gold	1,700	£10⅛	−0⅝	Sainsbury	3,200	229	−10
Cookson	1,000	564	−46	Scott & Newcastle	725	218	−6
Courtaulds	2,900	408	−38	Sears	8,900	132	−4
Dee Corpn	6,200	181	−13	Sedgwick	545	230	−15
Dixons Group	6,500	299	−26	Shell Trans	4,200	£10⅝	−0⅝
English China Clays	981	460	−15	Smith & Nephew	2,700	148	−14
Fisons	5,000	291	−15	Standard Chart.	623	618	−22
Gen. Accident	577	840	−45	Storehouse	9,000	315	−2
Gen. Elect.	24,000	187	−14	Sun Alliance	1,100	898	+3
Glaxo	5,400	£11⅝	−0⅝	TSB	7,100	125	−9
Globe Investment	1,700	149	−14	Tarmac	4,000	242	−29
Granada	3,700	266	−36	Tesco	3,400	164	−4
Grand Met	4,300	458	−17	Thorn EMI	2,500	545	−60
GUS "A"	526	£11⅛	−0⅛	Trafalgar House	5,600	335	−35
Guardian R.E.	595	858	−15	T'house Forte	6,800	228	−14
GKN	2,200	314	−25	Ultramar	2,300	227	−8
Guinness	4,100	298	−6	Unilever	1,300	495	−32
Hammerson	689	560	−38	United Biscuits	2,400	255	−9½
Hanson Trust	27,800	134	−5	Wellcome	2,400	386	−8
Hawker Sidd	1,400	440	−21	Whitbread "A"	1,700	291	−15
Hillsdown Hldgs	3,900	282	−25	Woolworth	6,200	327	−5
ICI	5,600	£11¾	−1¼				

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (7)

BRITISH FUNDS (2), Treasury 9 pc Ln 2008 'A', Treasury 2 pc 1988,AMERICANS (1), Tracor, CANADIANS (1), Abbot Enery, INDUSTRIALS (1), Euro Ferries Pf, MINES (1), Geevor, THIRD MARKET (1),Lyon Tech.

NEW LOWS (83)

AMERICANS (2), CANADIANS (1), BANKS (1), BUILDINGS (3), CHEMICALS (2), STORES (3), ELECTRICALS (3), ENGINEERING (2), FOODS (1), INDUSTRIALS (18), INSURANCE (1), MOTORS (1), PAPERS (1), PROPERTY (5), SHIPPING (1), TRUSTS (24), OILS (2), OVERSEAS TRADERS (2), MINES (5), THIRD MARKET (1).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	7	3
Corporations, Dominion and Foreign Bonds	30	0	25
Industrials	170	1,076	339
Financial and Properties	59	445	126
Oils	24	60	30
Plantations	2	4	8
Mines	78	41	76
Others	155	67	41
Totals	620	1,700	648

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Thursday October 22 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Oct 21 Index No.	Tue Oct 20 Index No.	Mon Oct 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (214)	798.31	−6.6	8.78	3.54	14.32	18.17	854.68	805.65	913.75	645.00
2	Building Materials (30)	1026.89	−6.5	9.05	3.59	13.77	22.79	1094.96	1058.88	1136.82	766.97
3	Contracting, Construction (33)	1531.76	−4.1	8.14	3.29	16.41	29.46	1597.74	1533.59	1712.76	1082.87
4	Electricals (14)	2087.90	−3.8	8.68	4.17	15.04	54.41	2169.45	2066.46	2330.15	1729.75
5	Electronics (34)	1704.98	−7.3	9.48	2.96	13.75	34.90	1839.83	1798.56	1930.21	1381.91
6	Mechanical Engineering (60)	421.06	−7.2	8.67	3.78	14.51	10.90	453.65	438.33	494.13	358.31
8	Metals and Metal Forming (7)	452.26	−5.7	8.71	3.59	13.99	9.11	479.75	466.53	537.34	327.55
9	Motors (14)	303.48	−8.3	9.59	3.70	12.21	5.86	331.13	314.63	364.64	262.56
10	Other Industrial Materials (22)	1340.47	−7.0	7.78	3.87	15.29	36.48	1442.07	1377.83	1566.12	1195.10
21	CONSUMER GROUP (183)	1082.15	−5.2	7.63	3.25	16.66	18.23	1140.36	1063.15	1203.92	985.27
22	Brewers and Distillers (22)	1018.10	−3.8	9.89	3.62	12.77	17.52	1057.79	989.34	1114.65	900.47
25	Food Manufacturing (23)	834.83	−5.7	8.83	3.72	14.63	16.66	885.12	841.24	927.56	695.08
26	Food Retailing (16)	2059.34	−4.2	7.15	2.87	18.63	39.17	2150.06	2026.34	2256.15	1867.60
27	Health and Household Products (10)	1870.93	−5.1	6.00	2.37	19.26	16.41	1972.42	1714.22	2002.82	1485.15
29	Leisure (30)	1191.86	−6.0	6.72	3.80	18.57	28.12	1268.00	1190.12	1328.36	894.46
31	Packaging & Paper (16)	568.89	−7.4	7.26	3.13	18.13	10.96	614.25	597.06	647.66	457.19
32	Publishing & Printing (15)	3637.95	−6.8	5.56	3.89	23.06	67.36	3903.86	3695.34	4207.05	2411.46
34	Stores (35)	910.85	−4.6	7.75	3.23	17.48	15.23	954.91	905.61	1040.70	840.12
35	Textiles (16)	705.81	−7.7	8.95	3.27	12.92	12.45	763.64	726.28	818.49	517.59
40	OTHER GROUPS (86)	907.70	−6.3	9.59	3.91	12.99	20.69	968.40	915.23	1035.32	757.20
41	Agencies (17)	1217.99	−2.4	5.15	1.86	25.51	15.06	1248.15	1186.70	1415.09	0.0
42	Chemicals (21)	1151.89	−7.4	8.56	3.99	14.29	32.85	1244.52	1201.56	1347.72	977.43
43	Conglomerates (13)	1183.15	−5.0	8.70	3.96	13.14	22.14	1243.76	1190.99	1330.10	0.0
45	Shipping and Transport (11)	1923.87	−4.3	8.81	4.28	14.91	51.44	2009.44	1950.20	2175.98	1493.63
47	Telephone Networks (2)	885.51	−7.8	11.45	4.56	11.65	18.98	960.87	907.30	996.23	732.77
48	Miscellaneous (22)	1319.14	−6.6	11.47	3.59	10.39	32.87	1412.98	1331.41	1503.31	1058.01
49	INDUSTRIAL GROUP (483)	972.98	−5.9	8.46	3.50	14.89	19.44	1033.49	973.12	1098.49	806.45
51	Oil & Gas (17)	1779.42	−4.7	9.63	5.51	12.81	65.73	1867.38	1778.41	1999.32	1357.37
59	500 SHARE INDEX (500)	1041.49	−5.7	8.63	3.79	14.55	23.43	1104.37	1041.54	1170.05	852.96
61	FINANCIAL GROUP (120)	703.18	−4.1	–	4.38	–	19.58	733.02	689.64	782.13	592.36
62	Banks (8)	698.64	−3.5	19.10	5.57	6.92	25.98	724.05	662.27	760.61	642.09
65	Insurance (Life) (9)	973.48	−6.1	–	4.58	–	31.49	1036.83	959.44	1106.21	795.64
66	Insurance (Composite) (7)	537.85	−2.6	–	5.12	–	15.97	552.42	535.96	591.70	470.87
67	Insurance (Brokers) (8)	1033.41	−2.4	10.75	5.54	11.91	38.19	1058.39	998.77	1141.37	1237.27
68	Merchant Banks (12)	431.04	−3.1	–	3.07	–	8.69	444.75	436.33	490.68	337.94
69	Property (48)	1059.39	−5.3	4.55	2.81	28.42	15.03	1119.02	1066.57	1195.82	772.15
70	Other Financial (28)	482.40	−3.9	7.39	3.32	17.23	10.24	501.94	469.51	539.98	348.06
71	Investment Trusts (88)	971.64	−4.2	–	2.53	–	14.44	1014.26	971.98	1106.78	882.91
81	Mining Finance (2)	479.75	−2.5	9.48	3.64	11.89	10.41	492.30	512.24	606.87	325.29
91	Overseas Traders (10)	1002.35	−8.0	9.19	4.88	12.75	29.58	1089.10	1058.25	1211.61	725.02
99	ALL-SHARE INDEX (720)	953.46	−5.4	–	3.84	–	22.01	1007.47	951.95	1072.40	782.10

	Index No.	Day's Change	Day's High	Day's Low	Oct 21	Oct 20	Oct 19	Oct 16	Oct 15	Year ago
FT-SE 100 SHARE INDEX ‡	1833.2	−110.6	1959.9	1749.1	1943.8	1801.6	2052.3	2301.9	2301.9	1572.5

FIXED INTEREST

	PRICE INDICES	Thu Oct 22	Day's change %	Wed Oct 21	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.90	+0.18	120.69	–	9.45
2	5-15 years	133.87	+0.64	133.02	–	12.01
3	Over 15 years	141.73	+0.87	140.50	–	12.02
4	Irredeemables	157.80	+1.09	156.11	–	8.81
5	All stocks	131.91	+0.53	131.21	–	11.20
	Index-Linked					
6	5 years	119.66	+0.14	119.50	–	2.18
7	Over 5 years	105.17	+0.37	104.78	–	2.89
8	All stocks	106.22	+0.35	105.85	–	2.82
9	Debentures & Loans	114.11	+0.25	113.83	–	8.07
10	Preference	82.54	−0.05	82.58	–	4.95

	AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 22	Wed Oct 21	Year ago (approx.)
	British Government				
1	Low	5 years	9.57	9.66	9.79
2	Coupons	15 years	9.87	9.95	10.44
3		25 years	9.64	9.74	10.45
4	Medium	5 years	10.17	10.28	11.22
5	Coupons	15 years	10.08	10.18	10.81
6		25 years	9.82	9.91	10.45
7	High	5 years	10.25	10.35	11.33
8	Coupons	15 years	10.25	10.36	10.99
9		25 years	9.87	9.98	10.56
10	Irredeemables†		9.84	9.97	10.20
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.75	3.78	4.38
12	Inflation rate 5%	Over 5 yrs.	4.51	4.53	3.81
13	Inflation rate 10%	5 yrs.	3.86	3.90	2.93
14	Inflation rate 10%	Over 5 yrs.	4.54	4.56	3.64
15	Debs &	5 years	11.47	11.83	11.03
16	Loans	15 years	11.44	11.63	11.55
17		25 years	11.44	11.44	11.55
18	Preference†		11.04	11.03	11.52

‡Opening index 1925.7; 10 am 1944.6; 11 am 1934.4; Noon 1864.0; 1 pm 1837.1; 2 pm 1799.6; 3 pm 1750.3; 3.30 pm 1772.5; 4 pm 1822.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS Jan.	CALLS Apr.	CALLS Jly.	PUTS Jan.	PUTS Apr.	PUTS Jly.
Allied Lyons (*341)	360	35	50	58	45	55	55
	390	20	35	42	65	75	72
	420	10	23	35	90	95	97
Brit. Airways (*159)	160	28	30	35	25	30	32
	180	15	25	40	30	40	45
	200	12	15	33	45	50	75
[illegible]							

Option		CALLS Nov.	CALLS Feb.	CALLS May	PUTS Nov.	PUTS Feb.	PUTS May
LASMO (*317)	300	42	62	70	20	35	42
	330	20	42	52	38	50	55
	360	10	25	38	60	68	77
[illegible] (*249)	260	15	25	35	20	23	27
	280	7	15	17	35	40	43
	300	3	7	10	55	57	60
[illegible]							

October 22. Total Contracts 86,012. Calls 40,941. Puts 45,071. FT-SE Index Calls 2,255. Puts 2,836. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]							

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO

Closing prices October 22

MONTREAL

Closing prices October 22

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

TORONTO

NYSE-Consolidated 1500 Actives

LONDON — Most Active Stocks

Thursday, October 22, 1987

TOKYO — Most Active Stocks

Thursday, October 22, 1987

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Trs. 12½pc 2003/05	£119⁹⁄₃₂	+1⅛
NtWst Bk	623	+15

FALLS:

Abb. Life	233	− 35
Amstrad	129	− 18
BAT Inds.	498	− 41
BOC Group	389	− 34
Bl. Circ. Inds	388	− 38
Brit. Aerosp.	414	− 49
BP	282½	− 14½
Bunzl	186	− 20
Cble & Wrls	353	− 53
DRG	389	− 48
ICI	£11⅞	− 1⅛
Lgl & Gen	283	− 30
Lonrho	251	− 34
Lucas Inds.	581	− 61
Reed Intl.	410	− 44
Rover Gr.	90	− 10
Smth New Crt	230	− 40
Tarmac	242	− 29
Utd News	464	− 40
Warburg (S.G.)	398	− 32

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 49

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	22	AAR s	.50	1.9	17	613	29¾	27	27	−2¾
32½	17½	AFG s	.16	.6	9	2015	26¼	25	25¾	−⅞
30	9⅜	AGS s			15	1982	18⅜	16¼	16¼	−1½
10½	6¾	AMCA				1	7½	7½	7½	
9⅜	3¼	AM Intl			41	2697	4⅞	4¼	4½	−¼
65½	32	AMR			11	10406	38⅜	34½	37	−1
12¼	7⅞	ARX s			8	486	8	7⅜	7¾	−⅝
73½	34⅜	ASA	2a	3.6		2098	64¾	54	56⅛	−3⅝
22⅜	9⅞	AVX			16	763	13¼	12½	13	−1⅝
67	40	AbtLab	1	2.2	17	8164	48¼	44⅜	46	−2¼
28	19½	Abitibi g				1356	20	d18¾	19	−⅞
16¾	9	AcmeC	.40	3.6	11	168	11¼	10½	11	−½
10½	6⅛	AcmeE	.32b	3.9	28	135	8¼	7⅞	8¼	−⅛
27⅞	16½	AdaEx	3.30e	17.		451	19½	18¼	19¼	−¼
19½	9	AdmMl s	.24	2.3	8	133	10½	10	10¼	−½
35	13⅞	AdvSys			16	353	25¼	23	24	−1¼
24⅞	9¾	AMD				9854	13	11	12	−⅜
56¾	33	AMD pf	3	7.9		9	38¾	38	38	−1¾
11⅞	5¼	Adobe				223	7	6⅜	6½	−⅜
20½	14¾	Adob pf	1.84	10.		152	18¼	16½	18	+1
21⅞	17	Adob pf	2.40	13.		16	19	18¾	19	+⅛
15	6¼	Advest	.12a	1.5	6	816	8⅜	6½	7⅞	−½
68¼	45	AetnLf	2.76	5.4	7	8163	52	48	51	−1
83½	30⅜	AfilPb s	.32	.6	8	1443	50⅝	49	50¼	−2¾
26⅞	15	Ahmans	.88	5.2	6	7893	17¾	16⅝	17	−¼
5⅜	1¾	Aileen				382	2½	1⅞	2½	
53⅞	32⅝	AirPrd	1	2.7	13	6660	39¼	37	37⅜	−3
36	14	AirbFrt	.60	3.7	7	752	16⅝	15⅞	16⅜	−¼
16½	7⅝	Airgas n			18	324	11⅝	10¼	11⅛	−½
19⅞	13½	AirleaseB	11e	14.		178	15⅜	14⅞	15	−¼
15-32	¼	AlMoan			17	1	11-32	11-32	11-32	
10¾	7⅝	AlaP	dpf.87	10.		58	8¾	8⅝	8¾	+⅛
106½	81½	AlaP pf	9	10.		z140	86⅜	86	86⅜	+½
110½	102⅞	AlaP pf	11	10.		138	106	106	106	+1½
27⅞	13	AlskAir	.16	1.0	11	3504	16⅝	15½	16⅜	
28¼	14¾	Alberto	.24	1.4	15	197	18⅝	17⅜	17⅜	−1⅜
24	14⅛	AlbCulA	.24	1.6	13	256	15½	14¼	15⅛	−¾
34	20¼	Albtsn s	.48	1.9	15	2811	26¼	24	25⅜	−1⅜
37⅞	18	Alcan s	.60	2.5	14	10041	24⅝	21	24⅛	−1⅜
30	15¼	AlcoS s	.64	3.1	14	1167	21¼	20	20¾	−1⅛
38½	19⅞	AlexAlx	1	4.9	18	895	21¼	d19⅜	20¼	−1⅛
50	38⅛	Alexdr			145	98	41⅜	39¼	39¼	−2¼
92½	48½	AllegCp				77	70½	67	67	−4
24¾	5⅛	AlgInt				1820	7½	6⅜	6⅞	−½
20⅛	10	AlgIn pr			29	10½	d	8¾	8¾	−2
88½	45¾	AlgI pfC				4	63½	61	61	−3½
34	19½	AlgLudn	.10e	.5		156	21⅛	21	21	−⅛
49	37⅜	AllgPw	2.92	7.8	9	2079	37¾	36¼	37	−½
105⅞	52	AlliedSig	1	1.4	24	19996	75	70	71¾	−4
13⅞	11⅝	AllenG	.56	4.6		285	12½	11⅜	12¼	+⅜
24⅞	18¼	Allen pf	1.75	9.7		17	18¼	d18	18⅛	−⅜
44	18¼	AlldPd			7	131	19¼	d17½	18⅜	−⅞
49¼	27	AldSgnl	1.80	4.9	11	37437	37⅜	35	36¾	−⅞
3¾	1⅛	vjAllisC				616	1⅞	1¾	1¾	
37½	9½	AllisC pf			145	8	8	6¾	7	−2
10⅛	9⅛	AlstMun				564	9⅜	9¼	9¼	
34⅛	23½	ALLTL s	1.36	5.3	14	629	28¼	25½	25½	−1¾
64¾	32⅝	Alcoa	1.20	3.4		9116	37	34¼	35¾	−3¼
32	22	AmaxG	n.02e	.1		556	25	23	23	−1⅜
29¼	11⅝	Amax			17	10761	18⅝	16½	18	−1⅞
47¾	32½	Amax pf	3	8.2		3	36¾	36¾	36¾	+1¾
41⅞	21½	AmHes	.30e	1.2	8	5336	26¼	23⅞	25¾	−¼
30⅝	6⅝	ABrck s				3647	18⅛	16⅝	17½	−1⅛
60	39	AmBrnd	2.08	4.6	14	3674	47	42½	45⅝	−2
34⅞	30¼	ABrd pf	2.75	8.8		317	31¾	31	31⅞	−⅛
26⅝	17	ABldM	.90	4.8	13	95	19	18¼	18¾	−1¼

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

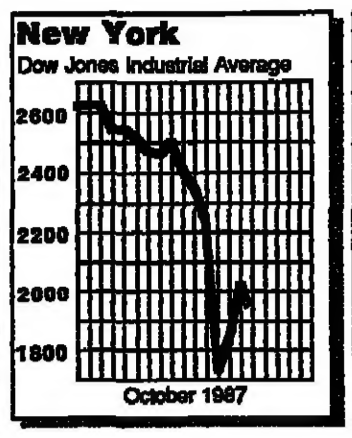
OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

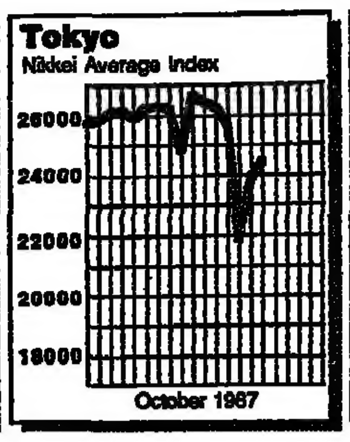
[illegible]

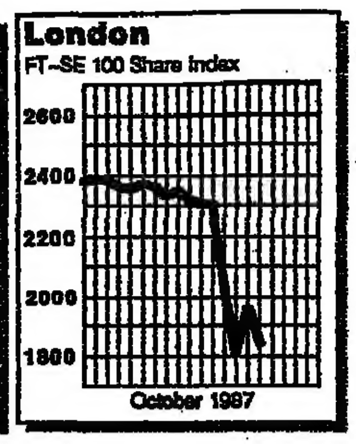
Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS







AMERICA

Fed's move helps to trim falls

WALL STREET

REELING under another wave of selling, Wall Street stocks suffered a steep drop in prices yesterday, *writes Roderick Oram in New York.*

The setback was seen in part as an inevitable, albeit violent, technical reaction to the strong partial recovery stocks had made from Monday's historic collapse.

Bond markets were also hit by abnormal pressures which drove prices up more than three points and sent yields skidding sharply lower. A heavy supply of reserves to the banking system by the Federal Reserve in mid-morning helped stabilise stock and bond markets.

Many investors, particularly foreigners, took advantage of Wednesday's relative strength to sell stocks yesterday. Secondary and tertiary stocks were hit harder than the blue chips. The deluge of orders delayed the opening of trading in two-thirds of the 30 stocks in the Down Jones industrial average and many other issues.

The index dropped nearly 130 points in the first hour, but the pressure eased somewhat later. It recovered partially to close down 77.42 points at 1,950.43.

Broader market indices were relatively worse off than the Dow, with the Standard & Poor's 500 losing 10.14 to 248.25, the New York Stock Exchange composite index falling 5.57 to 139.45 and the over-the-counter composite index dropping 15.73 to 336.13.

Trading volume abated from the unprecedented levels earlier this week but remained heavy. The New York Stock Exchange crossed 393m shares compared with 449m and 608m on Wednesday and Tuesday, respectively.

The trend was strongly negative with the number of declining issues leading those advancing by a ratio of five to one.

A very poor opening for Wall Street seemed on the cards from well before the opening as sell order flooded into brokers after a sharp sell-off of US stocks in Europe earlier in the day and wild gyrations on the London stock market.

Rumours that Mr Robert Prechter, a widely followed market guru, had told his clients prices had reached a resistance level and would fall to new lows blackened the mood. His pessimism was confirmed later.

A high degree of caution prevailed with analysts warning their clients that the volatility was likely to continue for some time. Shearson Lehman Brothers advised investors "not to speculate" in the market for now. It expects the Dow Industrials to trade in a "neutral zone" between 1,800 and 2,000 for the next four months.

Chrysler said it was cutting the stock part of its pension fund by 15 percentage points to 20 per cent. Mr Fred Zuckerman, treasurer of the third largest car maker and an often-quoted funds manager said he was "almost positive" the US will see a "horrendous bear market."

"You ain't seen nothing yet because I do not believe it is politically possible to do what the country has to do to reassure the world financial community that we... will reverse the budget and trade deficits and begin to run our fiscal affairs in a responsible manner."

One of the few stocks bucking the renewed downward trend was Gerber Products which rose $3¾ to $32. The baby food maker reported sharply higher third quarter results.

Santa Fe Southern Pacific, was up $1½ to $51 on heavy volume. It has long been considered a takeover target and it is selling, under pressure from Washington anti-trust regulators, its Southern Pacific railway subsidiary.

Rorer dropped $1 to $37⅞ after it anounced it was negotiating to buy back 1.9m shares, or 8.6 per cent of its total, from Mr Alan Clore, the British investor.

Among the latest companies to announce stock buybacks, NWA, parent of Northwest Airlines, fell $1½ to $41¼, Aristech, the chemical company spun-off by USX less than a year ago, slipped $⅛ to $22⅞, and First Interstate Bancorp lost $1⅞ to $41¼.

A number of companies reported higher third-quarter profits yesterday. BankAmerica fell $⅜ to $9⅝, Union Pacific lost $2⅞ to $54, Control Data gave up $2½ to $23½, Telerate declined $2⅞ to $13⅝, Chubb dropped $1⅝ to $60, Ashland Oil fell $1 to $54¼

Credit markets were rocked early in the session as word ran round Wall Street that stocks would be slaughtered yet again. Expectations that money would flood into credit markets drove up the price of bonds several points in less than half an hour.

Yields on short-term government securities dropped by about one quarter of a point and the spread between Treasury and Eurodollar deposit rates doubled to almost two and a half points, underscoring the flight to quality. As the cost of money tumbled, many money centre banks cut their prime lending rate by quarter of a point to 9 per cent.

By late afternoon, the price of the benchmark 8.75 per cent Treasury long bond was up 3⅝₁₆ of a point to 97⅝₁₆ yielding 9.11 per cent.

CANADA

THIS week's extraordinary gyrations on the Toronto stock market continued yesterday, with prices plunging in very active trading to wipe out more than half of Wednesday's record gains, *writes David Owen in Toronto.*

By 4pm, the benchmark TSE-300 composite index was off 139.48 points at 3108.70. At the last count, volume was running at some 6 per cent above Wednesday's levels when 68.8m shares had changed hands by the end of the day. Final figures were again expected to be somewhat delayed.

The market portfolio index in Montreal also took a tumble, falling 84.40 points to 1526.99. So did the notoriously volatile Vancouver Stock Exchange index, which plummetted 70.42 points in early morning trading to 1399.70.

EUROPE

Alexander Nicoll examines a continued crisis of confidence

London swings nervously lower

ANYBODY who wanted to believe that events earlier in the week were just a nasty blip, and that normal life in the world's stock markets would now resume, had their illusions finally and rudely shattered yesterday.

European and North American markets were shown still to be extraordinarily fragile - susceptible to sudden big fluctuations on the basis of expectations about other markets and to news which might otherwise have little effect.

By the end of the day, there was considerable concern about today's likely opening levels in Tokyo following sharp markdowns on Japanese share prices in the London market after Tokyo had closed.

London again saw swings which before this week would have been inconceivable, but by now appear distressingly commonplace. After a relatively steady start following gains in New York and Tokyo, the London market was hit by a belief that institutions would desert

London futures traders: full fall-out may be yet to come

equities for gilts. This was fuelled by one particularly large portfolio switch from equities into gilt-edged securities.

Prospects for gilts, of which institutions have been net sellers over a long and dull period for the UK fixed income market, have improved considerably in line with those of the US and Japanese government markets. The Bank of England said it would supply £500m ($825m) of stock to the market.

By lunchtime, the London share market was being undermined by news of an Iranian strike on a Kuwaiti oil terminal and by fears that Wall Street would open lower. The signs came first from the US stock index futures markets, and Wall Street did indeed open lower. Then Wall Street came off its lows, and so did London in response.

The result was that the FT-SE 100 Index, which struggled to climb 16.1 points higher during the morning, dropped to about 80 points lower by lunchtime, then hit a low 194.7 points down before recovering to end 110.6 points lower at 1,833.2. The narrower FT Ordinary index ended the day 92.0 points down at 1,435.3. European markets also lost substantial ground.

Although analysts believe that London and many other markets are now at levels which present buying opportunities based upon economic fundamentals, they also recgonise that the full fall-out from the crash may remain yet to be felt.

Also overhanging the market is the £7.2bn issue of British Petroleum shares, which is ever more likely to remain with the underwriters after applications close next Wednesday.

Frankfurt drops and is expected to stay shaky

WEST GERMAN share prices yesterday slid downhill again after their brief mid-week recovery. Most analysts expect the market to remain shaky until clear signs emerge that the US economic problems are being tackled more energetically, *writes Andrew Fisher in Frankfurt.*

The Commerzbank index, calculated at mid-session, shed 4 per cent to 1,707.9, having risen by nearly 7 per cent on Wednesday. Last Friday, the index stood at 1,876.6. Again, trading was extended to cope with the volume of business.

"The market is going to remain very, very volatile and continue going up and down, according to confidence on Wall Street rather than taking heed of domestic conditions," Mr Joseph Rooney, an analyst in German shares with UK stockbrokers James Capel, said.

Although many German shares looked undervalued at present, he added: "If the outcome (of the plunge in US share values) is that consumer confidence is rocked in the US so that a recession sets in, then that throws a different perspective on the market."

All sectors showed substantial price declines. Among banks, Deutsche Bank lost DM37 to close at DM560, while VW (down DM29 to DM332) and Daimler-Benz (down DM70 to DM915) were both sharply lower in motors.

Electrical Siemens dropped DM28 to DM560 and AEG fell DM29.50 to DM286.50.

The index updated throughout the session by Boersen-Zeitung, the Frankfurt financial daily, showed a sharper fall than Commerzbank's. Its closing level, which took account of late selling, was 6.7 per cent lower at 346.2.

"It's working like a yo-yo," said Mr Ulrich Ramm, chief economist with Commerzbank, of the bourse movement.

"I think the shock will stay fairly deep-seated, especially among private investors."

Yesterday's selling was predominantly from foreign and institutional portfolios.

Europe turns skittish and sellers erase gains

A NERVOUS shudder over early falls in London and New York sent European bourses skidding to close lower, in large part nullifying Wednesday's gains, *writes our markets staff.*

BRUSSELS dropped steeply in a deluge of selling as frantic as the previous day's buying, with investors keeping a worried eye on market weakness throughout Europe. The flood forced two extensions of the official trading session, which finally closed 1½ hours later than usual.

The cash market index lost 20.88 to 4,624.41, and although no forward index was released brokers said shares there fell by an average 5 per cent.

Blue chips sank back heavily. Petrofina saw BFr375 sliced from Wednesday's BFr500 gain to close at BFr11,075 and chemical Solvay dived 6.3 per cent to BFr11,800, a BFr800 fall. Gevaert and UCB followed suit, tumbling BFr330 to BFr7,470 and BFr250 to BFr9,150.

Holdings were also hauled back, Reserve losing BFr245 to BFr3,065, Sofina BFr475 to BFr12,400 and Cobepa BFr390 to BFr5,510. Banks, however, found some support and Kredietbank managed a BFr140 gain to BFr4,000.

AMSTERDAM moved steeply lower on pessimism over early Wall Street losses and news of Iran's attack on a Kuwaiti oil installation. The market drew some late spirit, however, from rallies in London and New York. The all-share trend index was 6.2 down at 78.6. At its worst, the index was 10.8 per cent down on Wednesday's close.

Internationals, however, took some punishment, with Akzo off Fl 10 at Fl 134. and Royal Dutch 10.40 lower at Fl 215.15. Unilever shed Fl 5 to Fl113 and KLM landed Fl 2.80 down at Fl39.70.

Philips was shaved Fl 4 to close at Fl 39.50 after saying it controlled 98 per cent of the shares in North American Philips Corporation by the time its offer expired on Wednesday.

Aircraft group Fokker, though, defiantly added 50 cents to Fl34.50 on speculation that the Dutch Government was set to buy a stake in the company to ease its financial problems.

ZURICH slumped back in a flush of profit-taking spurred by pessimism over early US stock prices.

The Key Market Monitors have been dropped from today's edition to accommodate more reports on market movements around the world. Market indices, lists of the most active stocks and London's chief price changes can be found on Page 47.

Paris remains sceptical

No sector escaped the gloom. Union Bank gave up SFr450 to SFr4,000 and Credit Suisse fell SFr210 to SFr2,800, while Swiss Bank lost SFr37 to SFr430.

Engineering issues continued to weaken, Brown Boveri by SFr150 to SFr2,475, Oerlikon-Buehrle by SFr65 to SFr1,325 and Georg Fischer by SFr205 to SFr1,225.

Swiss Re dropped SFr500 to SFr16,500 as insurers dipped again. Zurich, which missed Wednesday's rally, shed SFr400 to SFr6,100 and Winterthur fell another SFr525 to SFr6,050. Other financials showed some resistance and Adia edged just SFr50 lower to SFr8,950.

Foods fared poorly, though, with Nestle down SFr500 at SFr9,200 and Jacobs Suchard SFr450 off at SFr9,000. Chemical Ciba-Geigy, which unveiled a three-year plan to invest SFr1bn on safety and modernisation measures, fell SFr350 to SFr3,400.

PARIS retreated from the previous two sessions' gains amid widespread scepticism that the market had bottomed out.

A speculative flight from blue chips left *Elf* a further FFr10 down at FFr279, Thomson-CSF FFr60 off at FFr940 and Peugeot FFr60 cheaper at FFr1,255.

News that Cie du Midi had received UK approval for its takeover of insurance broker Equity and Law did not prevent its stock dipping FFr60 to FFr976.

Better first half results also failed to stem slides for Michelin, off FFr9 to FFr264, and Perrier, down FFr28 to FFr670. The forecast of lower profits for the year knocked Schneider FFr25 down to FFr300.

MILAN retreated broadly and nervously, with prices continuing to cheapen in trading after the close. The MIB closed 11 lower at 836.

Quality issues were well bid at the opening but lost Wednesday's momentum when weakness in Montedison shifted the mood. It closed L36 lower at L1,990, but said after the close it was not planning to delay its L1,000bn rights issue. Olivetti dropped L350 to L10,050.

Fiat opened firmer but slid as market confidence waned to close L149 down at L10,710. Insurer Generali followed a similar pattern to end the day L475 off at L101,350.

MADRID ended mixed to lower in directionless trade. The general index slipped 1.9 to 279.05.

Foods and banks fell further, but chemicals edged higher, encouraged by strong support earlier this week from the Kuwaiti Investment Office.

STOCKHOLM swung sharply lower in tandem with prices in London as private investors paced the market.

Among the biggest losers, Volvo lost SKr21 to SKr350, while Saab-Scania dipped SKr5 to SKr250. Skandia and Skanska both cheapened by SKr10 to SKr233 and SKr330 respectively.

OSLO finished mixed in hectic trade torn in opposite directions as dealers differed over signals from the UK and US markets. The all-share index fell 5.10 to 347.95.

HELSINKI was Europe's sole gainer, with the Unitas all-share index 0.6 per cent up at 637.5.

ASIA

Tokyo up despite lingering fears

TOKYO

THE TOKYO stock market yesterday continued to recover from the impact of the crash on Wall Street which earlier this week hit equity markets world-wide, *writes Stefan Wagstyl in Tokyo.*

Other stock markets have been left trailing by the speed of the recovery in Tokyo, which has now recouped 65 per cent of the ground lost in Tuesday's record-breaking fall.

The Nikkei index of leading stocks yesterday closed 457.05 higher at 24,404.45, as investors took heart from a record recovery on Wall Street and from the belief that the Japanese economy is strong.

Following the events of the last week, Tokyo, with a market capitalisation of $2,540bn, has increased its lead over New York as the world's largest stock market.

One senior Japanese equity trader said that Tokyo now had a duty to lead other markets towards "normal trading conditions."

But behind this growing sense of confidence there was also a fear that a sharp reverse on Wall Street could once again hit Tokyo very badly.

However, traders drew confidence from the fact that investors stayed calm during a big bout of profit-taking yesterday afternoon. This cut sharply into the morning's gains, which at one stage briefly pushed the Nikkei over 1,000 points above the previous day's close.

The strongest performers were heavy industrial, construction and transport stocks - reflecting hopes that Mr Noboru Takeshita, Prime Minister-designate, plans to increase public capital spending. Export-oriented stock suffered because of fears that a slow-down in US growth would hit sales.

Volume expanded from 1.12bn to 1.41bn shares and advances led declines 701 to 242, with 76 issues unchanged, *adds Shigeo Nishiwaki of Jiji Press.*

High-technology and other issues that had gained strongly the previous day lost ground on profit-taking in late trading. Hitachi slumped Y60 to Y1,260 after climbing Y60 at one stage, Fujitsu Y80 to Y1,230, NEC Y110 to Y2,060 and Matsushita Electric Industrial Y150 to Y2,150.

Large-capitals, however, closed higher on a wide front: Nippon Steel stayed the most active stock, with 146.32m shares traded and firmed Y10 to Y420 after advancing Y24 momentarily, while Kawasaki Steel, second busiest with 70.33m shares, added Y8 to Y223 and Nippon Kokan Y2 TO Y330. Conversely, Sumitomo Metal weakened Y15 to Y295.

Electric railways and shippings accounted for four of the 10 most active stocks. Kawasaki Kisen Kaisha, fourth busiest with 53.18m shares, hardened Y30 to Y310, Nippon Yusen Y24 to Y669, Keisei Electric Railway Y39 to Y879 and Tokyu Y160 to Y1,730.

Bonds faded on profit-taking after having soared for two days on end. On the government bond futures market, the December contract recovered the face value of Y100 at one stage but later slackened on investor concern over rapid rises. The yield on the benchmark 5.1 per cent government bond due in June 1996 rose from Wednesday's 5.580 finish to 5.585 per cent after dipping to 5.555 per cent temporarily.

On the Osaka Securities Exchange (OSE), the OSE stock average scored the third largest gain on record of 566.26 points to 24,810.18, with buying centring on domestic demand-related stocks. Turnover swelled 12.46m shares from the previous day to 114.70m shares.

HONG KONG remained closed but unofficial off-exchange trading has continued in some shares. The Stock Exchange has ordered members to report all *unsettled transactions by today*, a move which brokers say is aimed at forcing out illegal short positions.

TAIPEI: The Taiwan market fell for the third consecutive session. Analysts attributed this to the daily 5 per cent maximum loss allowed by the Government which prevented prices falling further in the previous session.

BANGKOK: Prices consolidated after the previous two-day record drop as buyers sought bargains. But the recovery was marred by some late selling pressure.

KUALA LUMPUR: Buyers lured by low prices after two days of panic selling returned to Malaysian issues, driving them higher. But gains were trimmed late in the session.

AUSTRALIA

AN EARLY jump in Australian markets faded away later in the day as Wednesday's sell-off in Tokyo scared investors.

The All Ordinaries index, which rose nearly 150 points during the morning surge, ended up 59.6 at 1,628.5 while the gold index rose 195.1 to 2,611.1 and advances outnumbered declines for the first time this week 409 to 367.

The December index futures contract closed at 1,500, up from Wednesday's 1,455, but well below the day's high of 1,680 and also at a sharp discount to the stockmarket index.

Despite a rally in the gold price overnight, Homestake Gold of Australia, a unit of Homestake Mining of the US, was quoted for the first time at A$1.80 and about 2m shares changed hands. The share was issued recently at A$2.30.

Elsewhere in golds, Poseidon jumped 70 cents to A$4.50, Emperor Mines added a similar amount to A$7 and Newmont Australia added 30 cents to A$2.40.

SINGAPORE

BRISK trading helped Singapore stage a strong recovery and the Straits Times index regained 125.51 to 1,087.01 after its record plunge from 1,223.28 on Monday.

Local bargain hunters picked up blue chips and other quality issues while overseas investors continued their selling trend.

Banks dominated issues to show major rises. UOB added S$1.10 to S$7.50 and DBS advanced S$2.40 to S$11.80.

Elsewhere, Singapore Airlines, the most active stock with 3.5m shares traded, gained S$1.90 to S$10.60, Fraser and Neave S$1.50 to S$8.80 and Sime Darby 80 cents to S$2.70.

Johannesburg dips as computers fail again

COMPUTER over-loading again plagued the Johannesburg Stock Exchange yesterday with the start of trading set back from its normal 9.30 am until lunchtime as brokers scrambled to complete the previous shortened day's orders, *writes Jim Jones in Johannesburg.*

When trading did begin investors avoided the siren call of the rises in gold and platinum which developed from Iran's attack on Kuwait's oil terminal. Gold shares again shifted into lower ground, though losses were small.

Vaal Reefs slipped R2 to R408 and Kloof was unchanged at R47.50 among heavyweight gold issues. Impala Platinum lost ground with a R2.50 drop to R46.50 as analysts gave the company's planned R300m capital raising plans the thumbs down.

Analysts left yesterday morning's presentation on Impala's new mine development plans disappointed at the company's refusal to disclose critical information on costs and production estimates.

Mexico: world's fastest climber braces for fall-out

BY DAVID GARDNER IN MEXICO CITY

MEXICO CITY Stock Exchange, which in its dizzying rise this year has broken all known bourse records, rebounded on Wednesday after the consecutive slumps of what has become known here, too, as Black Monday and Tuesday.

Yesterday the index opened at 250,221 and traders were tensing against further fall-out from Wall Street despite soothing words from the Mexican Government.

The previous day, the 49-stock index rose 8.5 per cent, after record falls of 16.5 per cent on Monday and 13.3 per cent on Tuesday, which wiped nearly $10bn off share values.

The recovery was led by industrial and mining stocks which had been beaten back in the uniform retreat earlier in the week. Traditional stars like Penoles, the world's largest private silver producer, and Vitro, the blue chip glass monopoly, rose 20 per cent.

The sharpest percentage leaps on Wednesday, however, were Telmex, the state-owned telecommunications company, and Mexicana, the government-controlled airline. They rose 42 per cent and 37 per cent respectively, after losing about half their quoted value on Monday and Tuesday.

Although some analysts suspected the Government was underpinning the rally, buyers began reappearing in the market in search of bargains from late on Tuesday.

Mr Gustavo Petricioli, the Finance Minister, attempting to reassure investors, said the Government would "ensure the necessary strength and liquidity" of banks and brokerages. He argued that events in New York should not trigger further falls in the Mexico City market because US investors have almost no involvement here.

The extent of the Mexican retreat earlier this week was also, so far, markedly different from that of Wall Street. As Mr Timothy Heyman, a leading local market analyst, put it: "Whereas New York is back to where it was in June 1986, the Mexico City market has fallen back to where it was in August this year."

This year's raging bull market propelled the index up 630 per cent in the nine months to the end of September. In dollar terms, this was a leap of 329 per cent.

In the third quarter alone, Mexico's rise exceeded that of any other bourse for the year as a whole.

The index went through the roof between the end of September and October 5, the first trading day after Planning Minister Carlos Salinas de Gortari was named to succeed President *Miguel de la Madrid*, thereby ensuring the continuity of structural economic reforms.

It put on an additional 13 per cent to reach an intra-day all-time high of 387,000 before the Government suspended trading to prevent what it saw as a speculative bubble from bursting. Between October 5 and last Friday, a jittery market lost 17 per cent.

Most analysts had been expecting a substantial further correction anyway, particularly to financial stocks. Since the middle of the year, these have pulled the market far beyond the revaluation of industrial shares which seemed justified by first half corporate results.